TAURON Group's Full Year 2023 Financial Results

April 19, 2024

TAURON

Presentation Agenda

Grzegorz Lot
President of
the Management Board

- Value creation at TAURON Group
- Management Board Priorities
- Key financial and operating data

Piotr Gołębiowski
Vice President of
the Management Board
for Trading

- Situation on the energy and fuel market

Michał Orłowski
Vice President of
the Management Board
for Asset Management
and Development

- Investment projects and CAPEX
- RES expansion

Krzysztof Surma
Vice President of
the Management Board
for Finance

- Financial results
- Debt and financing
- 2024 outlook

Value creation at TAURON Group

It is **people who create value** and drive the competitive advantage

Value creation at TAURON Group

GOAL: Building a sustainable **competitive advantage** and taking a **strategic position** in selected areas

KEY ASSETS OF TAURON GROUP

11 WIND FARMS
with a capacity of **417 MWe** (electricity production in 2023: **1.0 TWh**)

under construction: **5** wind farm with a capacity of**165 MW**

19 000
employees

5 COMBINED HEAT AND POWER PLANTS AND 31 HEAT PLANTS
with a total capacity of **347 MWe/1.2 GWt** (thermal energy production in 2023: **6.7 PJ**)

34 HYDRO POWER PLANTS
with a capacity of **133 MWe** (electricity production in 2023: **0.4 TWh**)

57 900 km²
TAURON Group's distribution area

251 000 km
of distribution lines

5.9 million
customers

3 PV FARMS
with a capacity of **56 MWe** (electricity production in 2023: **0.02 TWh**)

under construction: **3** PV farms with a capacity of **199 MW**

5 CONVENTIONAL POWER PLANTS
with a total capacity of **4.2 GWe**

(electricity production in 2023: **10.0 TWh,** including:

- units with a capacity of 910 MW and 460 MW → **4.6 TWh**
- units with a capacity of 200 and 150 MW → **5.4 TWh**

30.7 TWh
of retail electricity supply

5.8 million
customers

Customers of TAURON Group

Value creation at TAURON Group

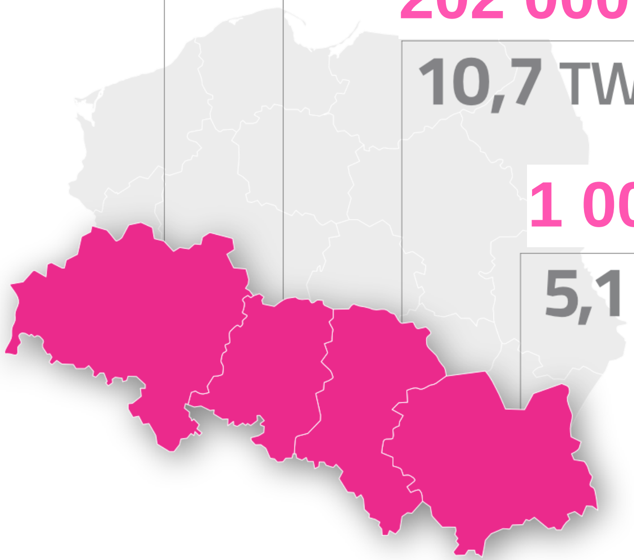
BUSINESS CORE:
Nearly **6 million customers** connected to the distribution grid, and also purchasing electricity

5 225 000 households
9,6 TWh of electricity supplied

423 000 SME customers
2,1 TWh of electricity supplied

202 000 business customers
10,7 TWh of electricity supplied

1 000 strategic customers
5,1 TWh of electricity supplied

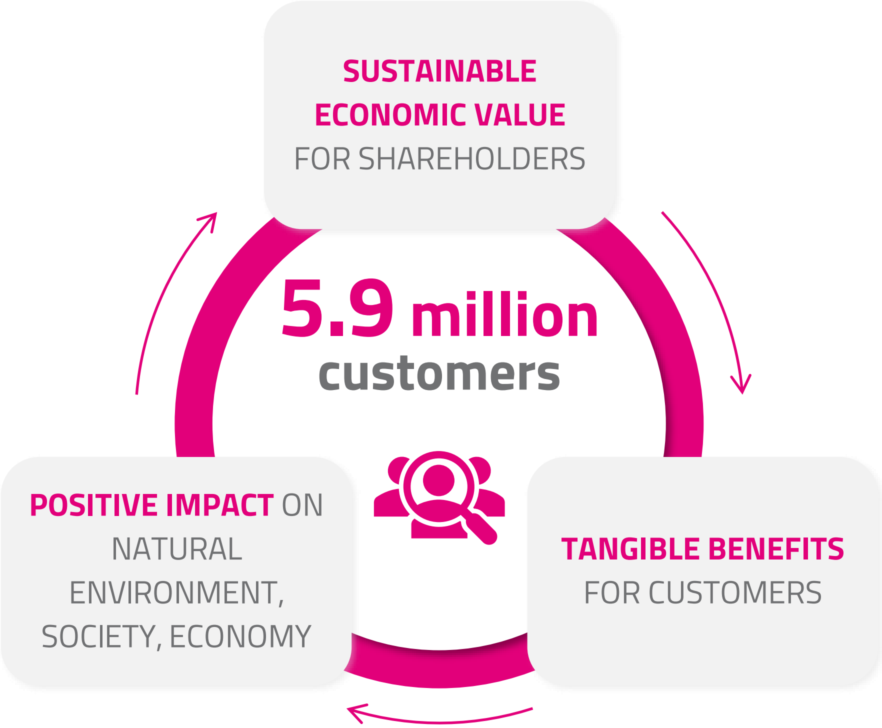


AMBITION TO MAKE IT **GREEN ENERGY** GENERATED BY RES SOURCES OF **TAURON GROUP**

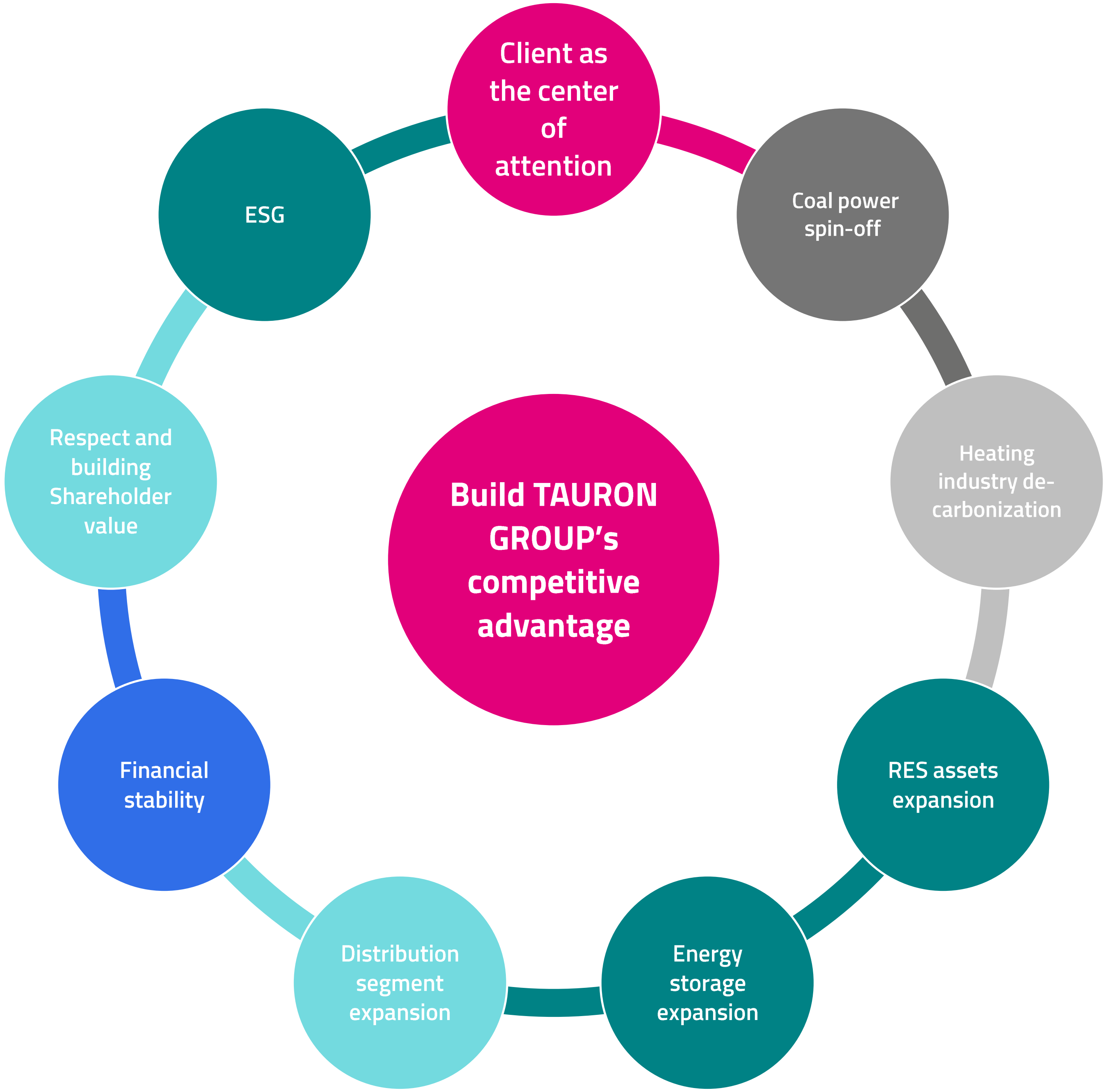
Value creation at TAURON Group

GOALS INCLUDE:

- **CREATING SUSTAINABLE ECONOMIC VALUE FOR** SHAREHOLDERS /INVESTORS AND TANGIBLE VALUE FOR CUSTOMERS (PRICE, SECURITY, GREEN ENERGY)
- **BUILDING AN EFFICIENT ORGANIZATION** AND ORGANIZATIONAL CULTURE ORIENTED TOWARDS CUSTOMERS AND VALUE CREATION
- **EXPANSION OF RES SOURCES** ALONG WITH THE TECHNICAL AND BUSINESS MODEL NECESSARY TO ENSURE PROFITABILITY OF DISTRIBUTION AND ENERGY STORAGE INVESTMENTS AND INFRASTRUCTURE
- **PROVIDING EMPLOYEES WITH JOBS** AND PASSION TO PERFORM THEIR WORK



Priorities of the new Management Board of TAURON Polska Energia S.A.



Key 2023 data

Financial results

Revenue*	EBITDA	Net profit	CAPEX (outlays)	NET DEBT/EBITDA
50 715	6 145	1 678	4 364	2.1x
PLN m	PLN m	PLN m	PLN m	
+38% vs 2022	+53% vs 2022	- vs 2022	+10% vs 2022	down by 0.8x vs 2022

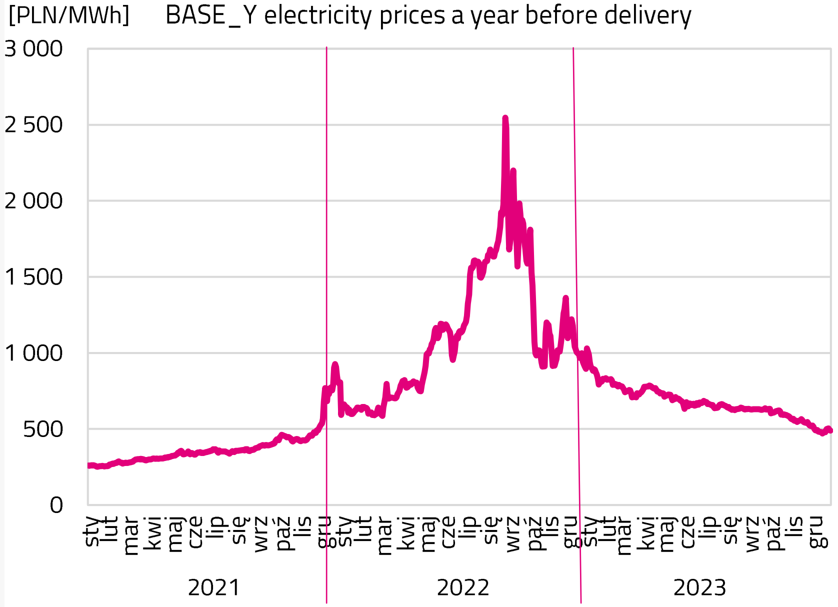
** revenue from sales and compensation payment*

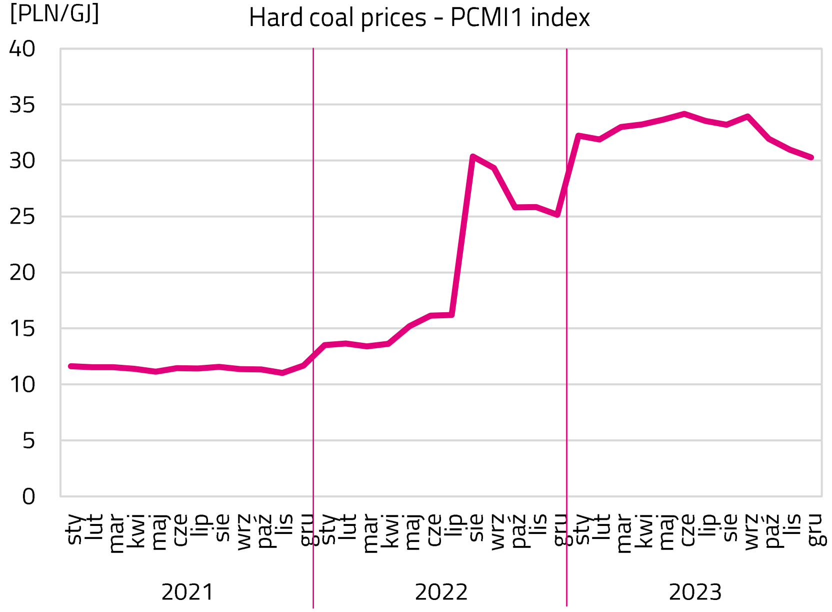
Operating data

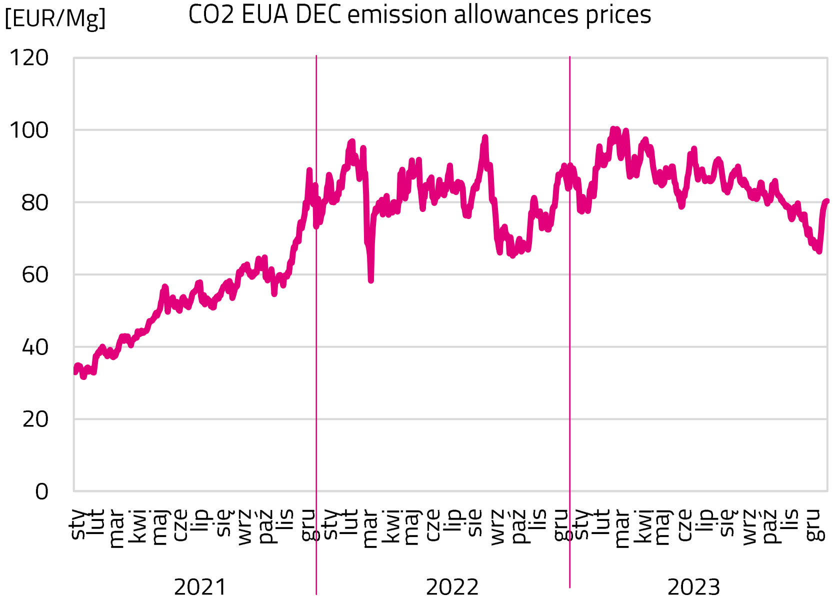
Electricity distribution [TWh]	RES electricity production [TWh]	Coal-fired electricity production [TWh]	Heat generation [PJ]	Retail electricity supply [TWh]
51.3	1.7	11.0	10.4	30.8
-4% vs 2022	+7% vs 2022	-21% vs 2022	-2% vs 2022	-1% vs 2022

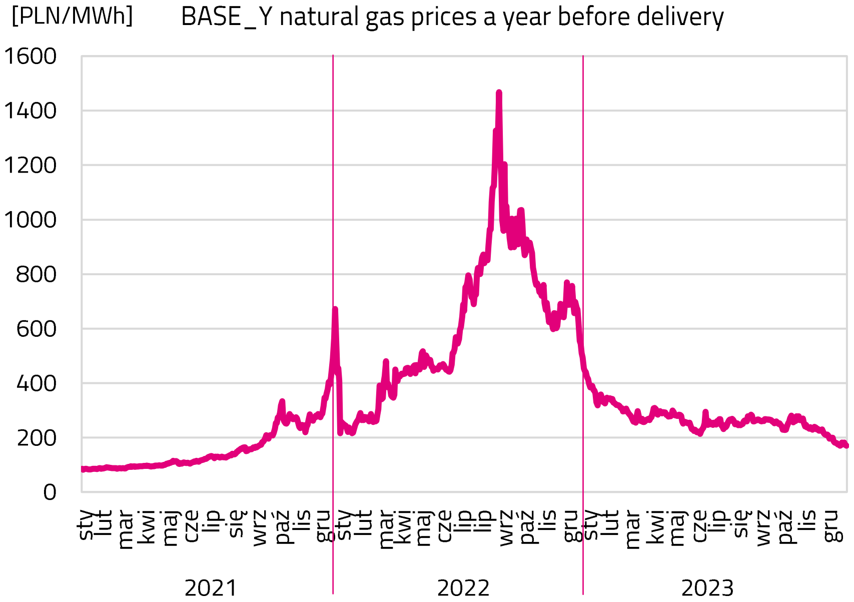
Situation on the energy and fuel market in 2023

- The average price of the front-end one-year BASE contract for electricity with delivery in 2024 came in 42.3% lower compared to the price of the BASE_Y-23 contract a year before physical delivery;
- The average value of the PSCMI1 index in 2023 came in 64.5% higher than the average in 2022;
- The average CO2 price for the EUADEC-23 contract came in 6.8% higher as compared to the average for the EUADEC-22 contract in 2022;
- The average price of the front-end one-year BASE contract for natural gas with delivery in 2024 came in 51.0% lower as compared to the price of the BASE_Y-23 contract one year before physical delivery



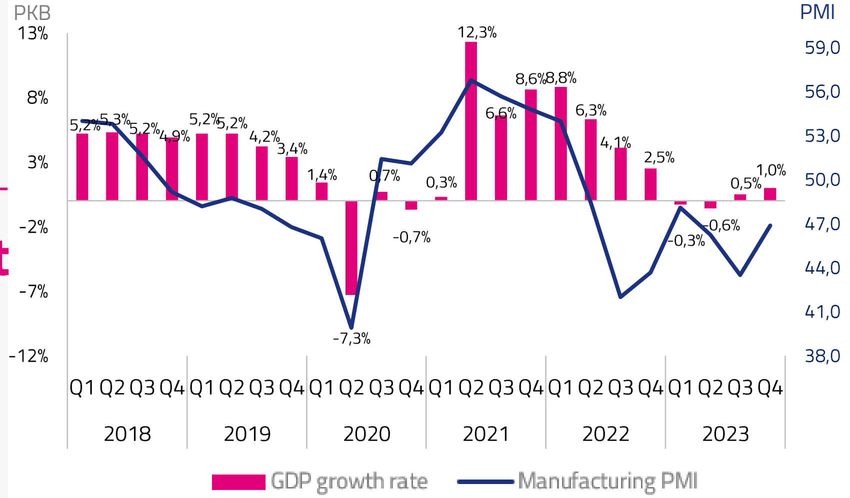






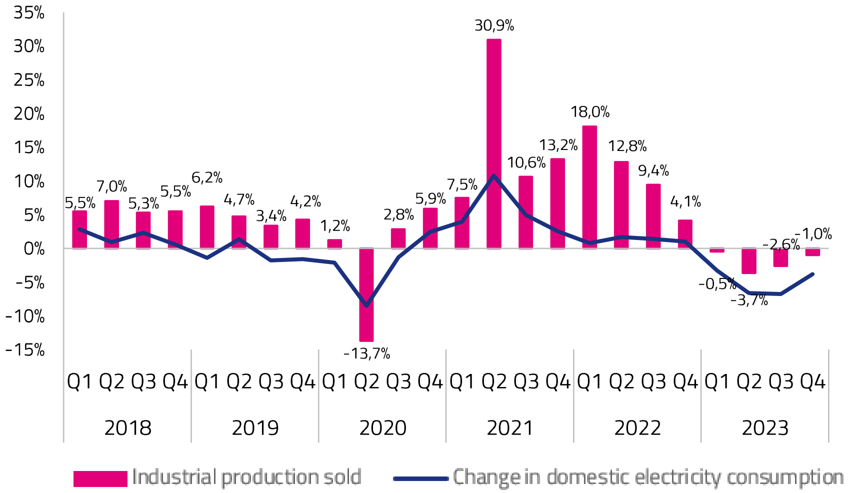
Macroeconomic and market situation

Change of Poland's GDP growth rate* and manufacturing PMI (quarterly average)**



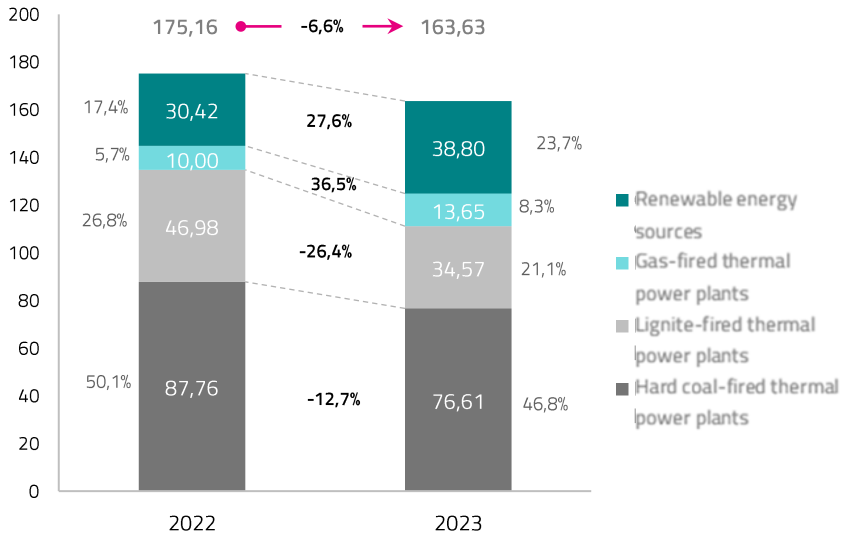
*Source: *NBP data za for the 2018-2023 time frame, **Investing.com*

Change of industrial production sold* and electricity consumption (change yoy)**



*Source: *Statistics Poland (GUS) data **PSE (TSO) data*

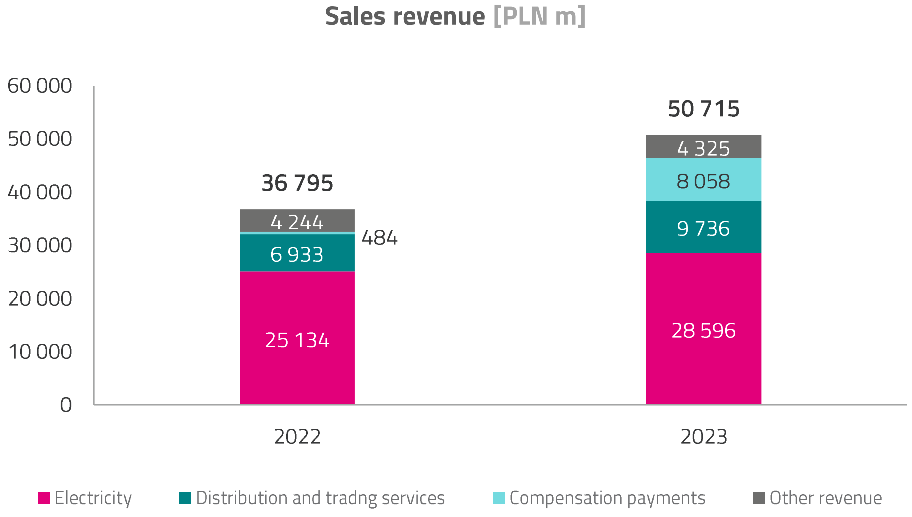
Structure of electricity production in Poland [TWh]

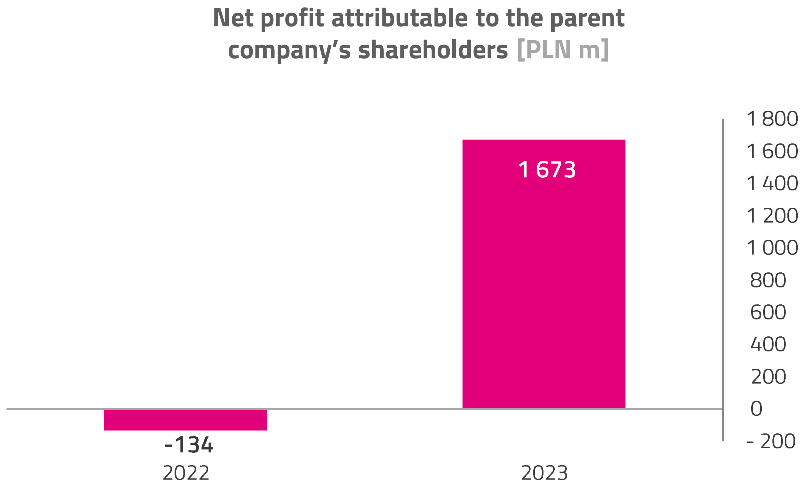


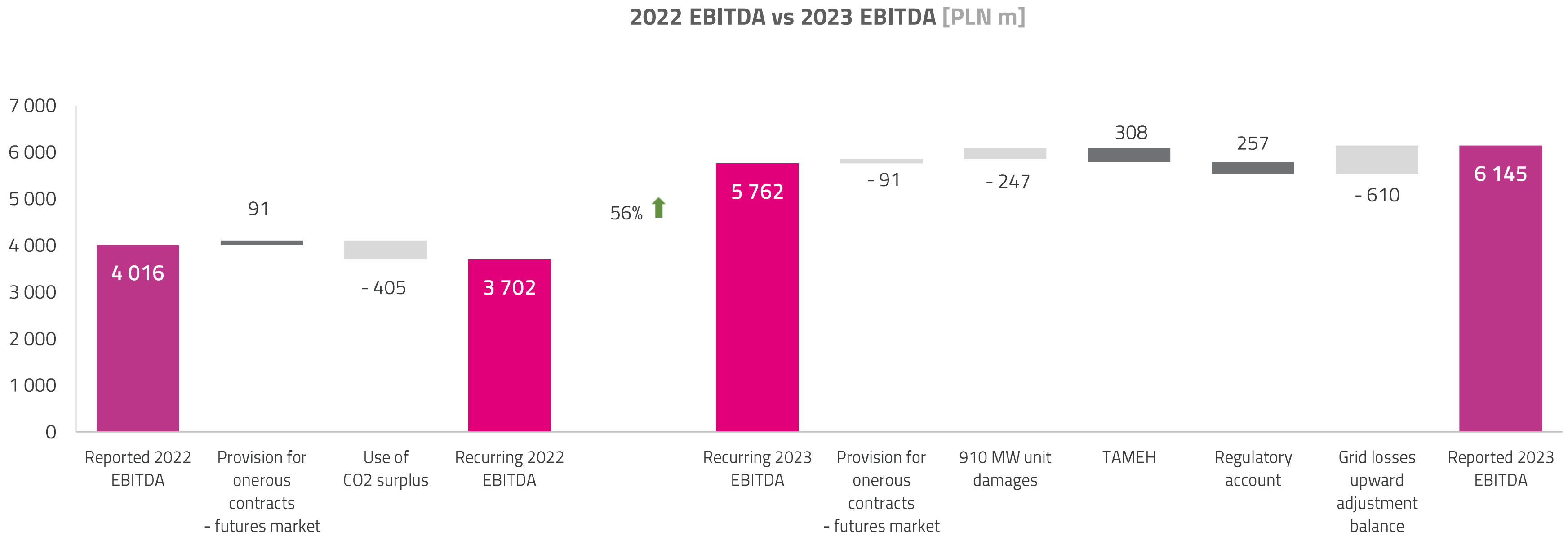
Source: PSE (TSO) data

- Decline in the production by hard coal-fired power plants due to high coal prices and the high RES production
- Decline in the production by lignite-fired power plants due to the need to maintain an adequate level of the spinning reserve in the NPS
- Rise of the share of RES sources in the NPS balance due to favorable weather conditions and an increase of installed capacity in photovoltaic installations
- Increase of the share of gas-fired sources in the NPS balance

2023 financial data

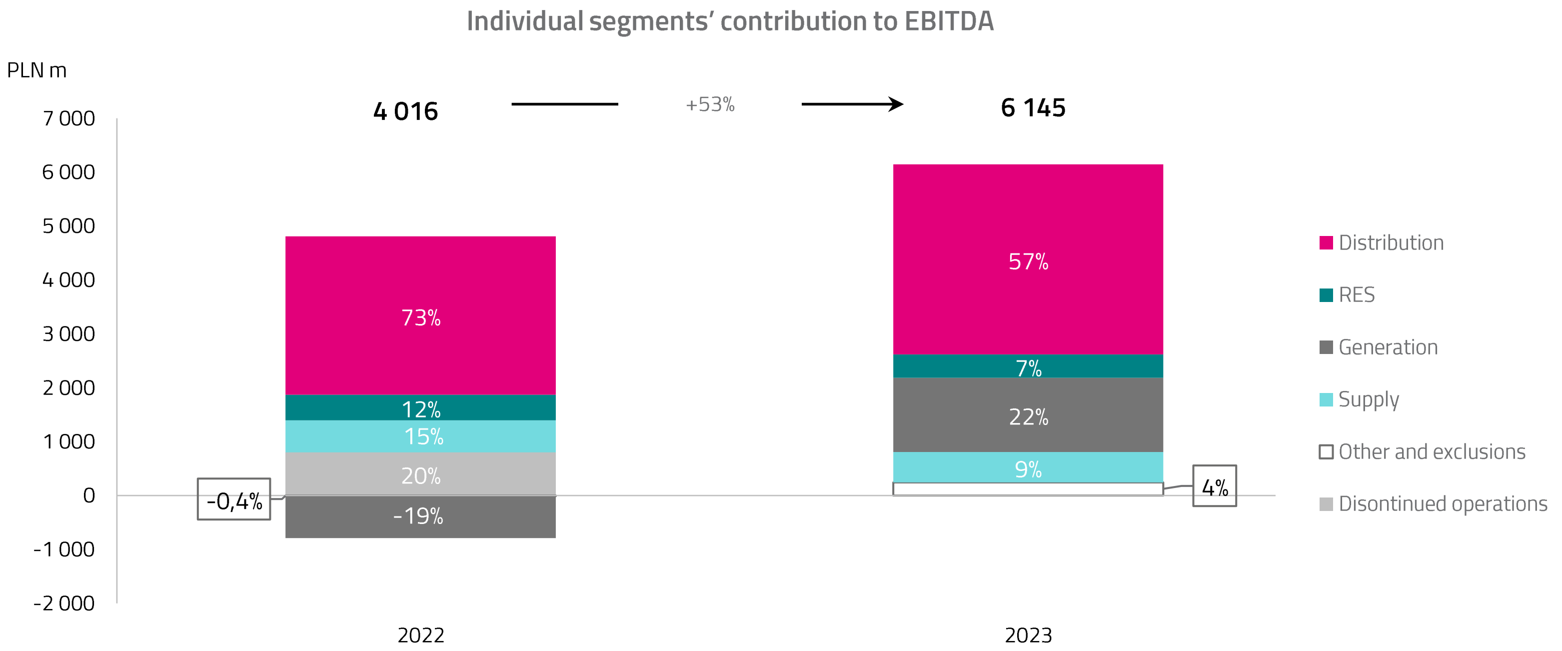






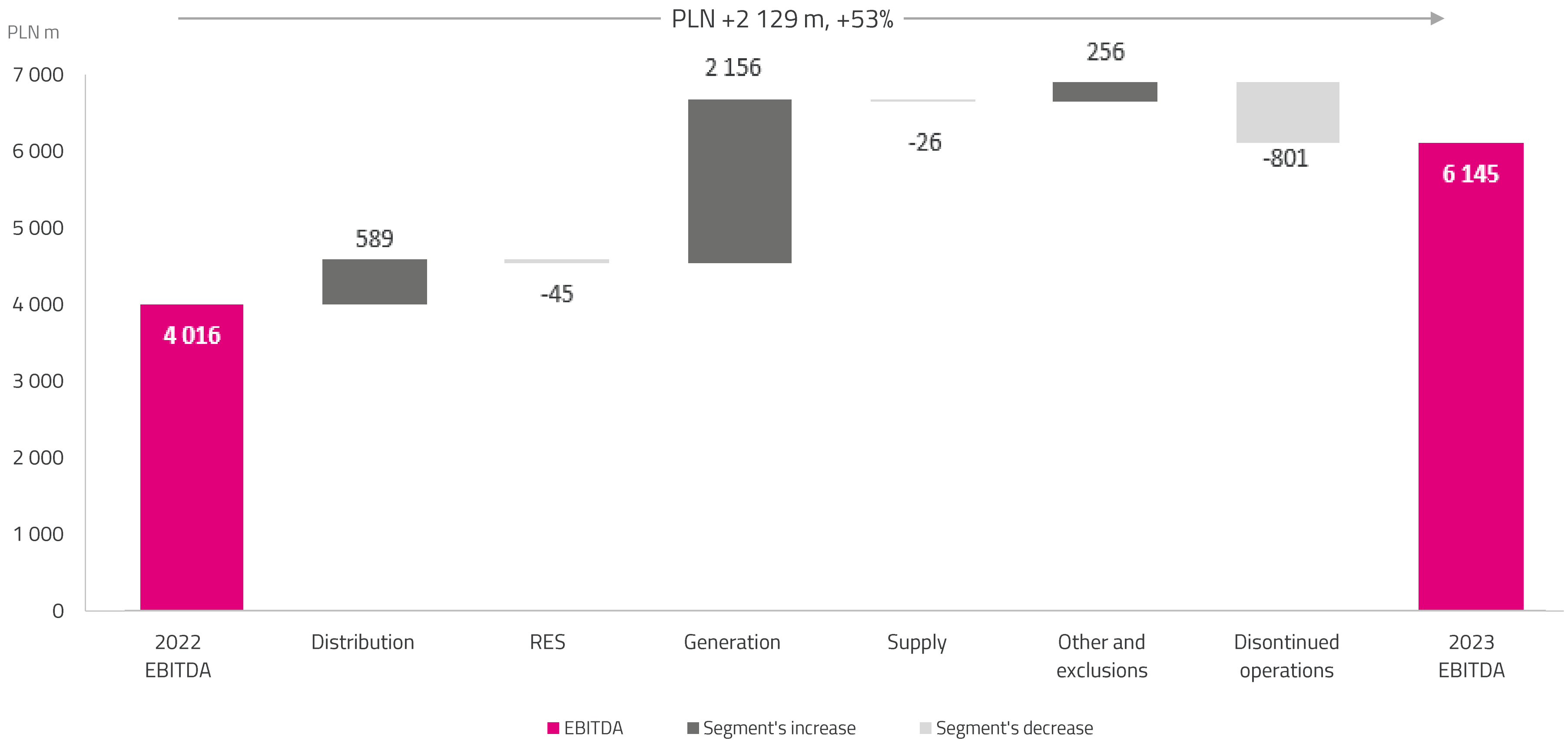
Individual segments' 2023 results

[PLN m]	Distribution	RES	Generation	Supply	Other And exclusions**
Revenue*	12 772	750	13 408	42 740	-18 955
EBITDA	3 528	431	1 377	568	241
EBIT	2 197	261	347	522	67
CAPEX	2 762	593	568	109	332



* Sales revenue and compensation payments
** items not included in the segments presented

2023 EBITDA


PLN +2 129 m, +53%
PLN m
7 000
6 000
5 000
4 000
3 000
2 000
1 000
0
4 016
589
-45
2 156
-26
256
-801
6 145
2022 EBITDA
Distribution
RES
Generation
Supply
Other and exclusions
Disontinued operations
2023 EBITDA
EBITDA
Segment's increase
Segment's decrease

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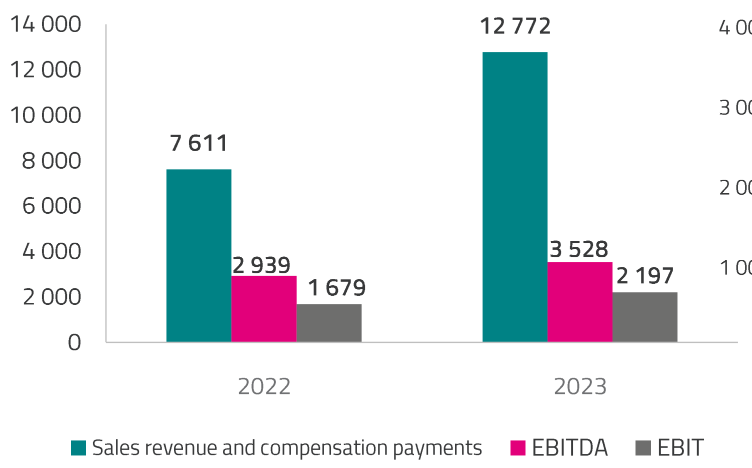
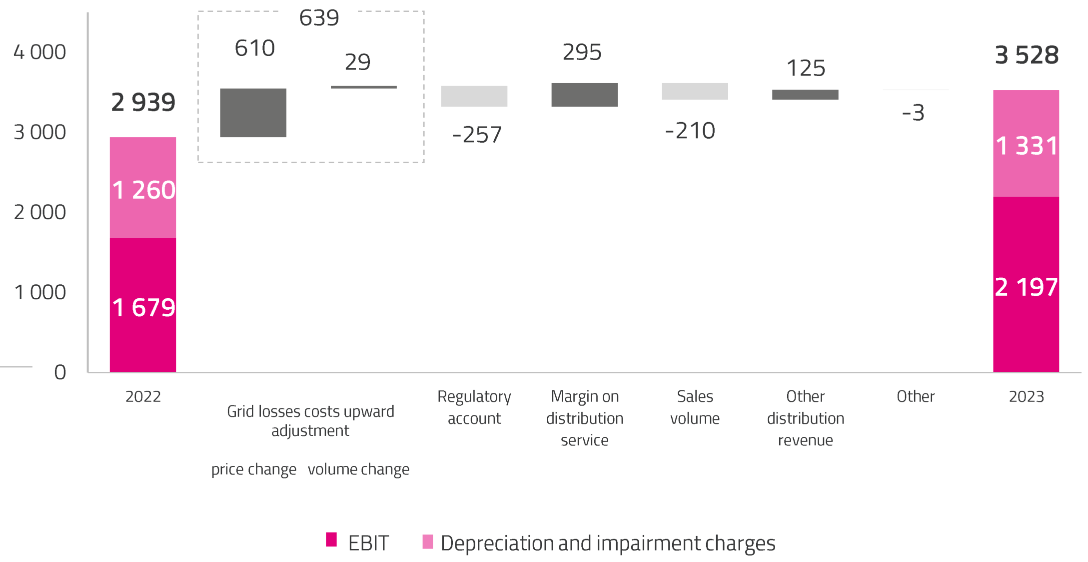
Distribution Segment 2023

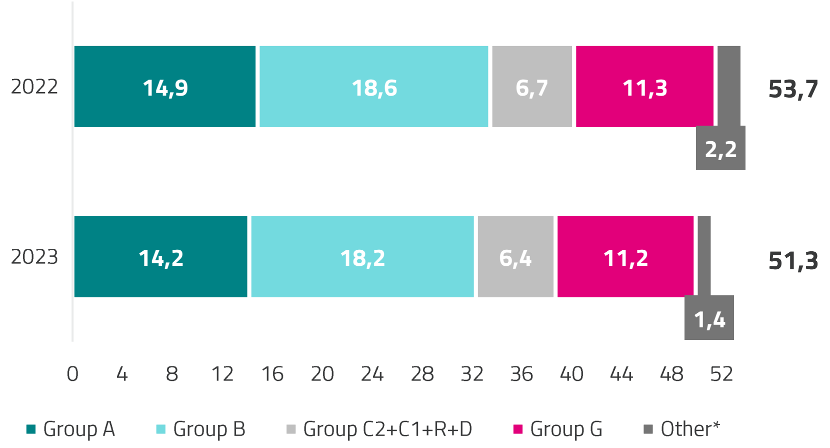
Financial data [PLN m]



EBITDA change [PLN m]



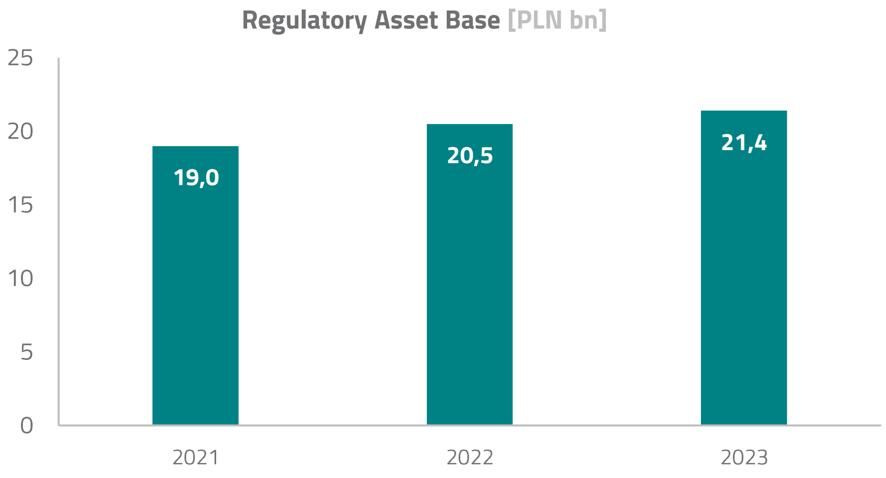
Electricity distribution [TWh]

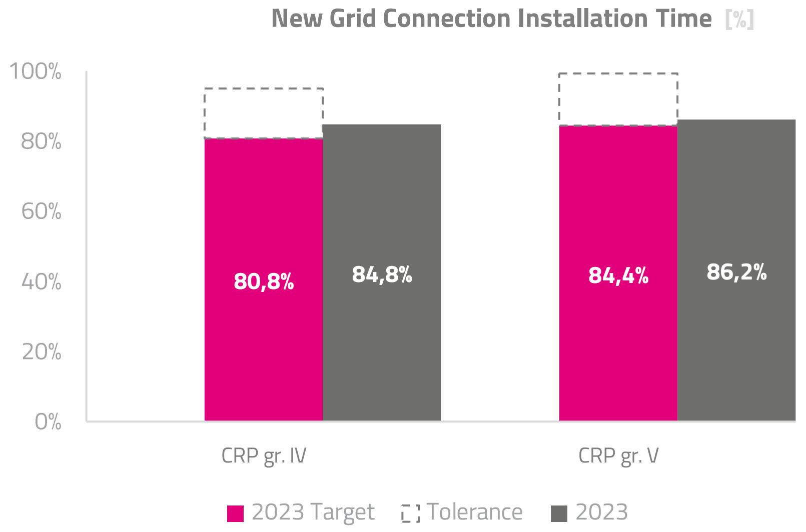


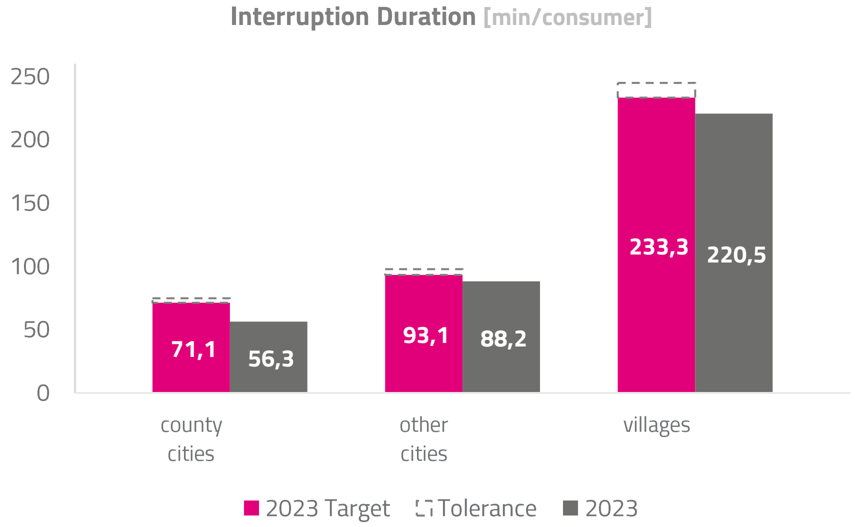
** Neighboring DSO and exports*

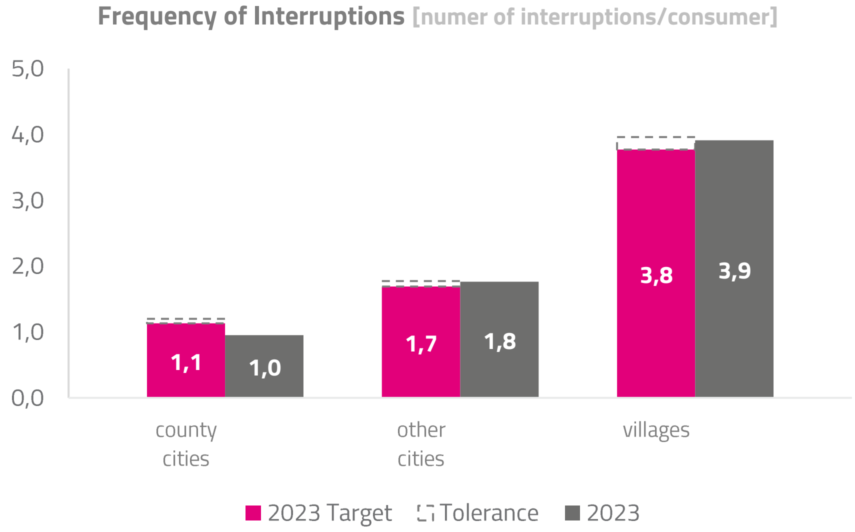
- Increase of the distribution service rate √
- Change of the price of the grid losses costs upward adjustment √
- Decline of the electricity distribution services sales volume by 2.4 TWh –
- Negative impact of the regulatory account –

Distribution Segment key parameters



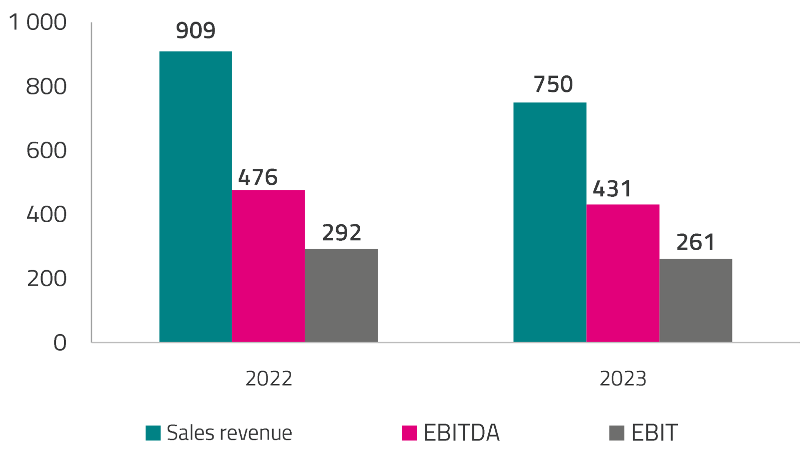




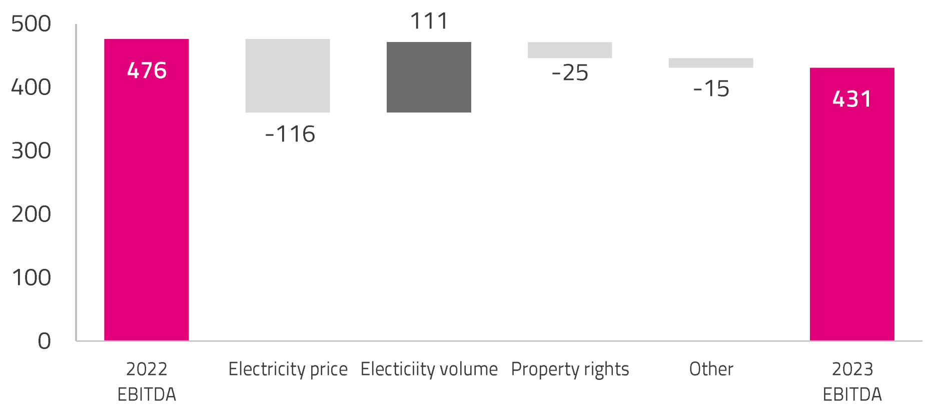


RES Segment 2023

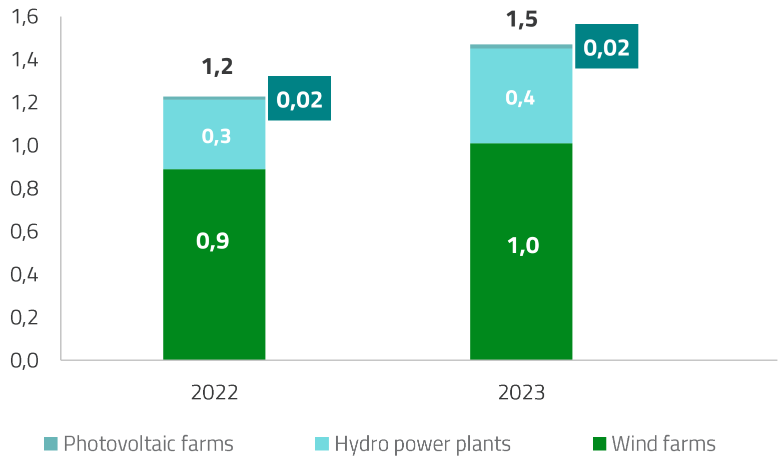
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]



- Effect of the act capping an increase of electricity prices –
- Decrease of the property rights prices –
- Higher electricity production volume √

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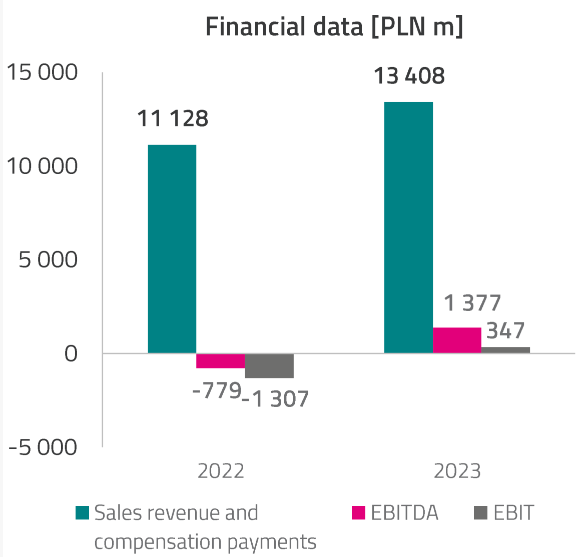
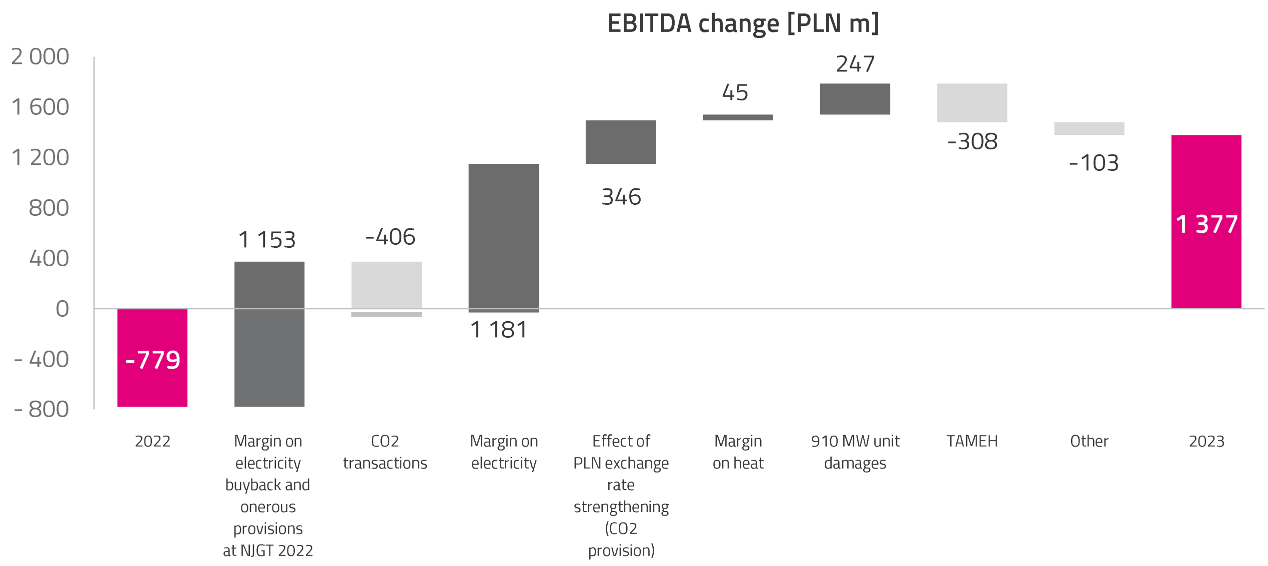
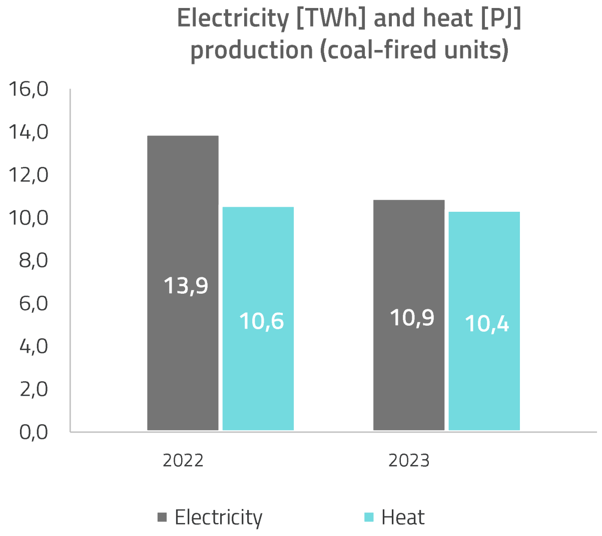
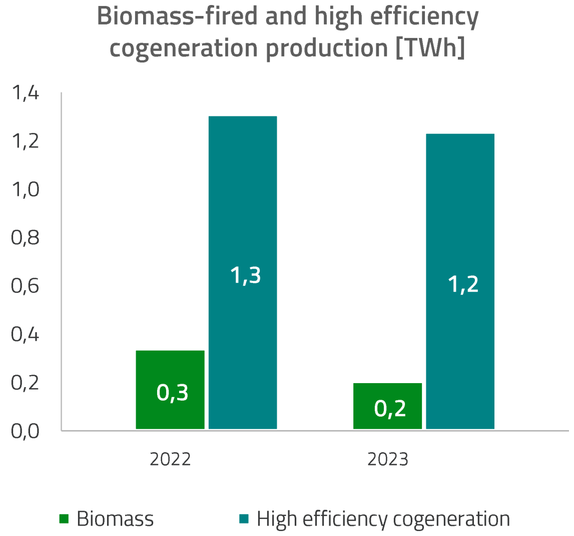
Generation Segment 2023





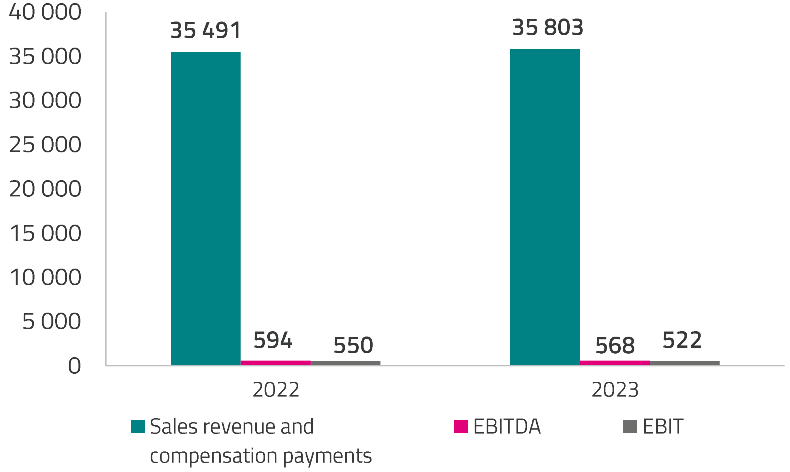




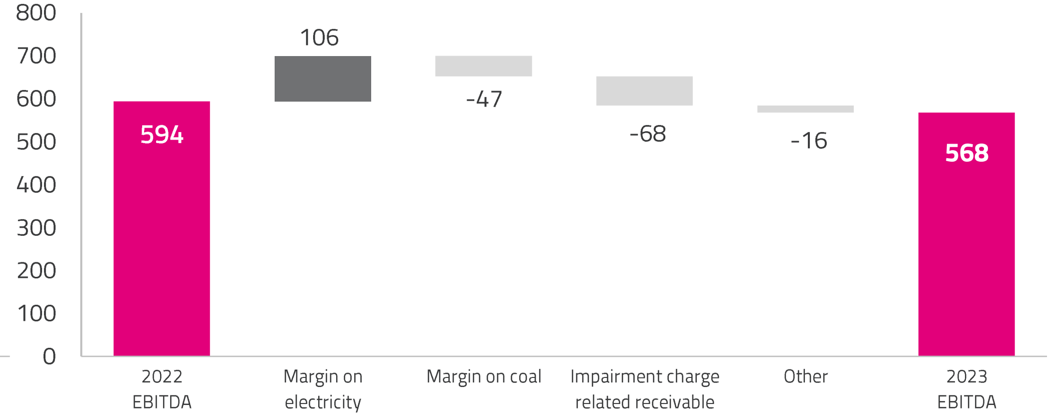
- Favorable forward electricity contracting √
- Stable operation of the 910 MW unit – no losses on electricity buybacks for its needs in 2023 √
- Receipt of the funds due to damages and guarantees (bonds) related to the 910 MW unit √
- TAMEH Czech subsidiary's insolvency -

Supply Segment 2023

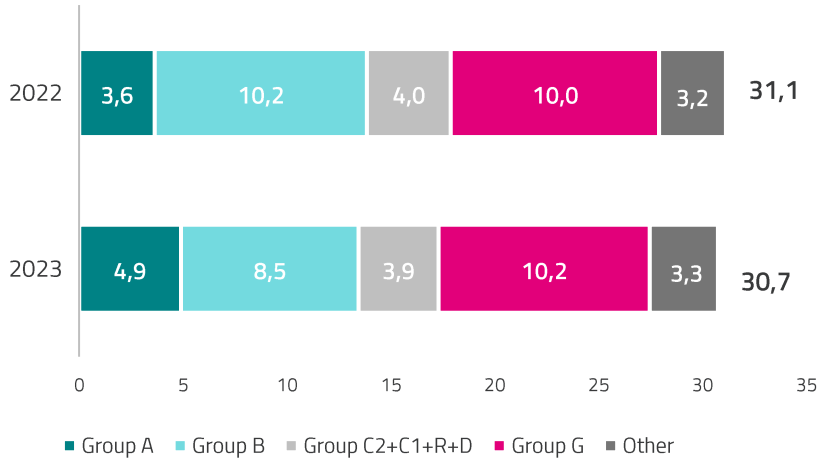
Financial data [PLN m]



EBITDA change [PLN m]



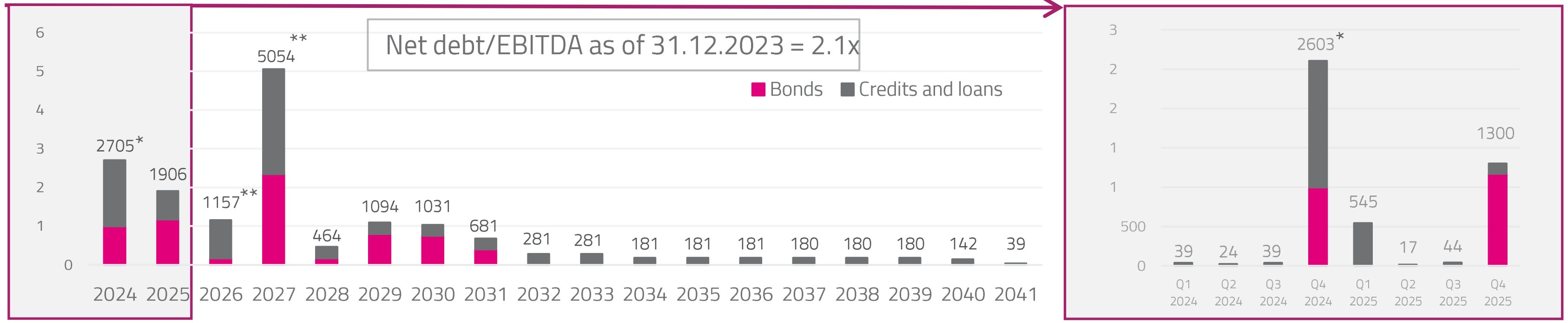
Retail electricity supply [TWh]



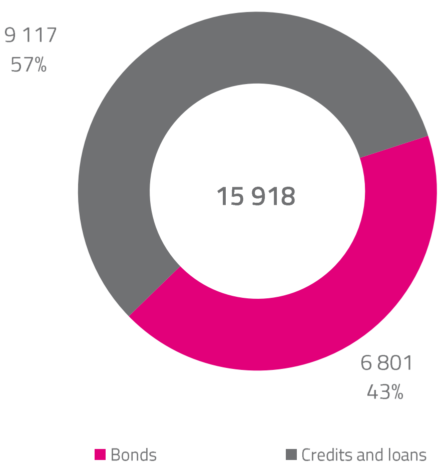
- Setting up of a PLN 574 m provision for a reduction of electricity prices for the household customers (125 PLN/household) -
- Material impact of the regulations on the Segment's results in 2023 -
- Costs fully covered by the tariff in 2023 √
- Positive results on the electricity sales by TAURON Czech Energy subsidiary √

Debt and financing

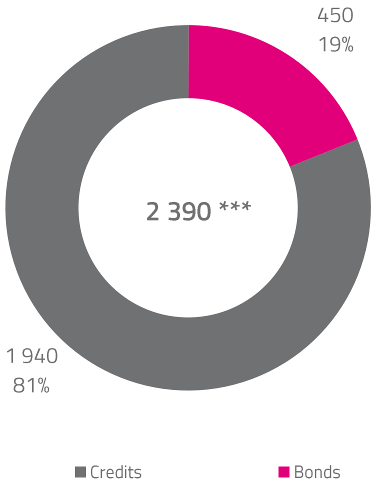
TAURON Group's nominal debt maturity as of December 31, 2023 [PLN m]



TAURON Group's nominal debt maturity as of December 31, 2023 [PLN m]



Amounts of financing available to TAURON Group as of Deceember 31, 2023 [PLN m]



Nominal debt structure by interest rate [PLN m]

Debt amount	Interest rate	Collateral floating rate
15 918	Floating rate: 10 373	IRS: 3 670
	Fixed rate: 5 545	None: 6 703

- EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 23% of the total debt

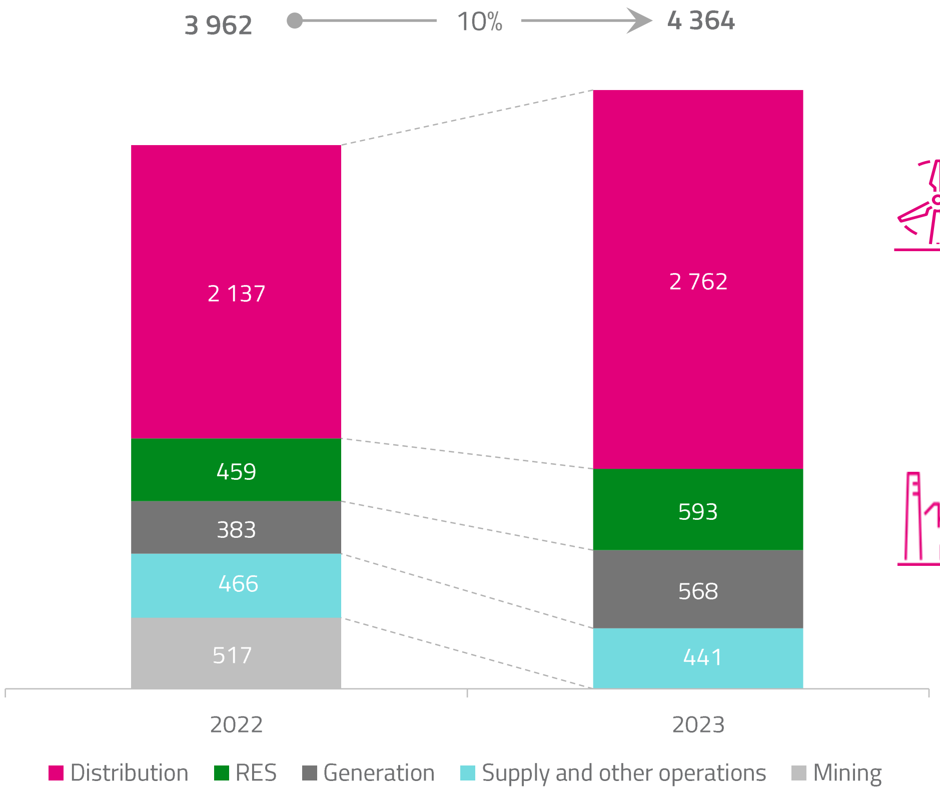
* Including the planned redemption of EUR 190 million subordinated bonds after the non-call period

** Taking into account the maximum maturity of funds available as part of the revolving bank loans

*** Apart from the above indicated available financings, TAURON Group is also using overdraft facility with the maximum available limits of PLN 250m

CAPEX – per segment

Capital expenditures per segment* [PLN m]



** Outlays do not include equity investments in accordance with the presentation provided in the financial statements.*

Key investment projects implemented in 2023*

Distribution:

- Installing new grid connections (PLN 1 479m)
- Grid assets refurbishments and replacements (PLN 944m)
- AMIPlus (PLN 166m)

RES:

- Construction of 55 MW Proszówek PV Farm (PLN 151 m)
- Construction of 37 MW Mysłowice PV Farm (PLN 82 m
- Construction of 30 MW Warblewo Wind Farm (PLN 81m)
- Construction of 58.5 MW Mierzyn Wind Farm (PLN 73m)
- Construction of 33 MW Gamów Wind Farm (PLN 60m)
- Construction of 19.6 MW Brzeźnica Wind Farm (PLN 31m)
- Construction of 23.8 MW Sieradz Wind Farm (PLN 24m)
- Construction of 90 MW Postomino PV Farm (PLN 31m)
- Refurbishment of hydro power plants (PLN 19 m)

Generation:

- Outlays at TAURON Wytwarzanie – replacement and refurbishment, overhaul components, 910 MW unit (PLN 303m)
- New facility connections to the district heating network at TAURON Ciepło (PLN 28m)
- District heating market expansion – Katowice Południe (Ligota Project) at TAURON Ciepło (PLN 30m)
- Low Emission Elimination Program (PLN 28m)
- Construction of the peaking and backup boiler house at TAURON Ciepło ZW Bielsko (PLN 14m)
- Construction of 140 MWt gas-fired bolier at TAURON Ciepło ZW Katowice (PLN 61m)
- Construction of 3 gas-fired boliers at Energetyka Cieszyńska (PLN 19 m)

Supply and other operations:

- IT investments at TAURON Obsługa Klienta (PLN 278m)
- Lighting maintenance and expansion (PLN 97m)
- Business Service Center (PLN 14m)

** Investment outlays do not include financial costs added to the capex and the consolidation adjustments*

Growth of RES capacity as part of the Green Turn of TAURON

2019

Green Turn of TAURON

Update of TAURON Group's strategic directions

Acquisition of five wind farms with a capacity of **180 MW**
Acquisition of a **6 MW** photovoltaic farm project in Choszczno

479 MW
RES installed capacity as of **December** 31, 2018

2020

Commissioning of the photovoltaic farm with a capacity of 5 MW in Jaworzno

Acquisition of the wind farm project "Piotrkow" with a capacity of 30 MW

2021

Commencement of the construction of the "Piotrków" wind farm with a capacity of 30 MW

Commissioning of the photovoltaic farm with a capacity of **6 MW** in Choszczno

2022

Commissioning of 3 wind and photovoltaic farms with a total capacity of **44 MW**

Commencement of the construction and the acquisition of SPVs with the rights to projects to build 5 wind and photovoltaic farms with a total capacity of **226 MW**

2023

Completion of the photovoltaic farm "Mysłowice II" with a capacity of **37 MW**

Commencement of construction and acquisition of SPVs with rights to projects to build 5 wind and photovoltaic farms with a total capacity of **235 MW**

Elektrownia Wiatrowa Baltica-7 sp. z o.o. - a joint venture with PGE - was granted a clearance for the construction of an offshore wind farm with a planned capacity of **approx. 1 GW**

696 MW
RES installed capacity as of December 31, 2023

2024

Implementation of 8 RES projects with a total capacity of **364 MW** under way

Planned completion of 5 wind and photovoltaic farms with a total capacity of **176.5 MW**

873 MW
Planned RES installed capacity as of December 31, 2024

RES projects under way (as of 31.12.2023)

Wind farms	Capacity (MW_e)	Outlays incurred (PLN m)	Planned completion date
FW Mierzyn	58.5	151	Q3/Q4 2024
FW Nowa Brzeźnica	19.6	49	Q2/Q3 2025
FW Sieradz	23.8	24	Q4 2025
FW Gamów	33	89	Q3/Q4 2024
FW Warblewo	30	96	Q4 2024
	164.9		

Photovoltaic farms	Capacity (MW_e)	Outlays incurred (PLN m)	Planned completion date
PV Bałków	54	1	Q4 2025
PV Postomino	90	31	Q4 2025
PV Proszówek I and II	45.6 / 9.4	162	Q2 2024
	199		

364 MW in total

2024 outlook

Distribution

- Distribution tariff increase in 2024, stemming from, among other things, an increase of WACC from 8.48% in 2023 to 10.48% in 2024 (a base rate of 7.48% and a 3% bonus for reinvesting) and an increase of RAB from PLN 21.4 billion in 2023 to PLN 21.9 billion in 2024
- Negative impact of the change in the balance of the upward adjustment of the balancing difference
- Volume of distributed electricity at a similar level as in 2023
- Increase in revenue from the other distribution services
- **Lower reported EBITDA y/y**

RES

- Market based electricity sales prices (abolition of price caps in force in 2023) - y/y increase in electricity sales prices
- Additional EBITDA resulting from commencement of new RES capacity in the years 2023 and 2024
- Expected increase in electricity generation volume due to commissioning of new capacity in 2023 and 2024
- Lower profit on sales of Property Rights as a result of falling market prices and lower volume
- **Higher reported EBITDA y/y**

Generation

- Decline in profitability of coal assets due to deterioration of market conditions (lower Clean Dark Spread margin)
- Decrease in the volume of electricity generation from conventional sources
- Negative impact of regulatory changes on the balancing market
- Higher revenue from the capacity market
- **Lower reported EBITDA y/y**

Supply

- G tariff at a level enabling costs to be fully covered and generating positive margins
- No one-off regulatory events
- Decrease in electricity purchase prices
- Decrease in volume of electricity sold - increase in the number of prosumer installations
- **Higher reported EBITDA y/y**

❑ Group's reported EBITDA

❑ CAPEX

CAPEX adapted to the EBITDA level and the Group's financial standing

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Thank you for your attention

TAURON

Key Q4 2023 data

Financial results

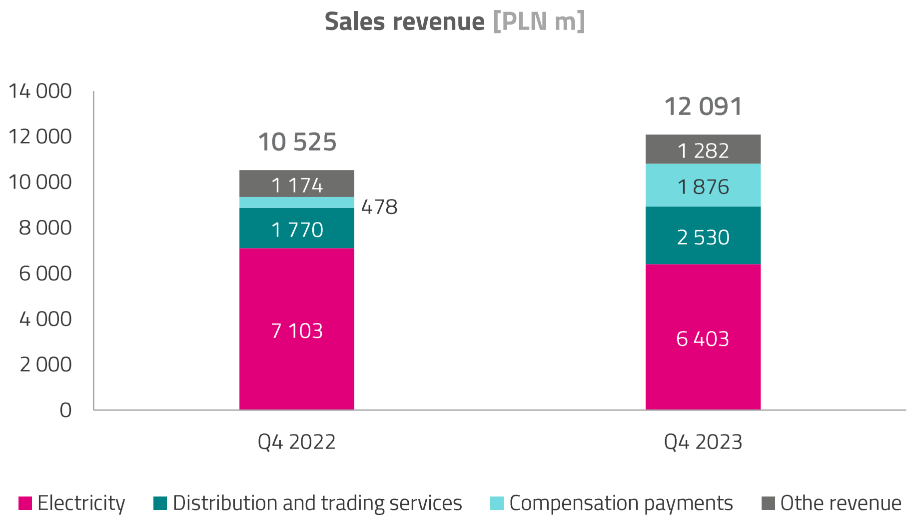
Revenue*	EBITDA	Net profit	CAPEX (outlays)	NET DEBT/EBITDA
12 091	674	(585)	1 477	2.1x
PLN m	PLN m	PLN m	PLN m	
+15% vs Q4 2022	-42% vs Q4 2022	-10% vs Q4 2022	+8% vs Q4 2022	down by 0,8x vs 2022

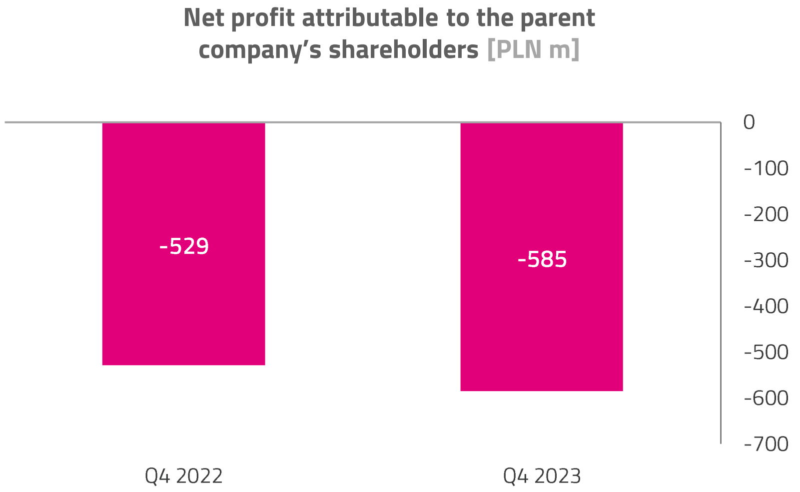
* *revenue from sales and compensation payment*

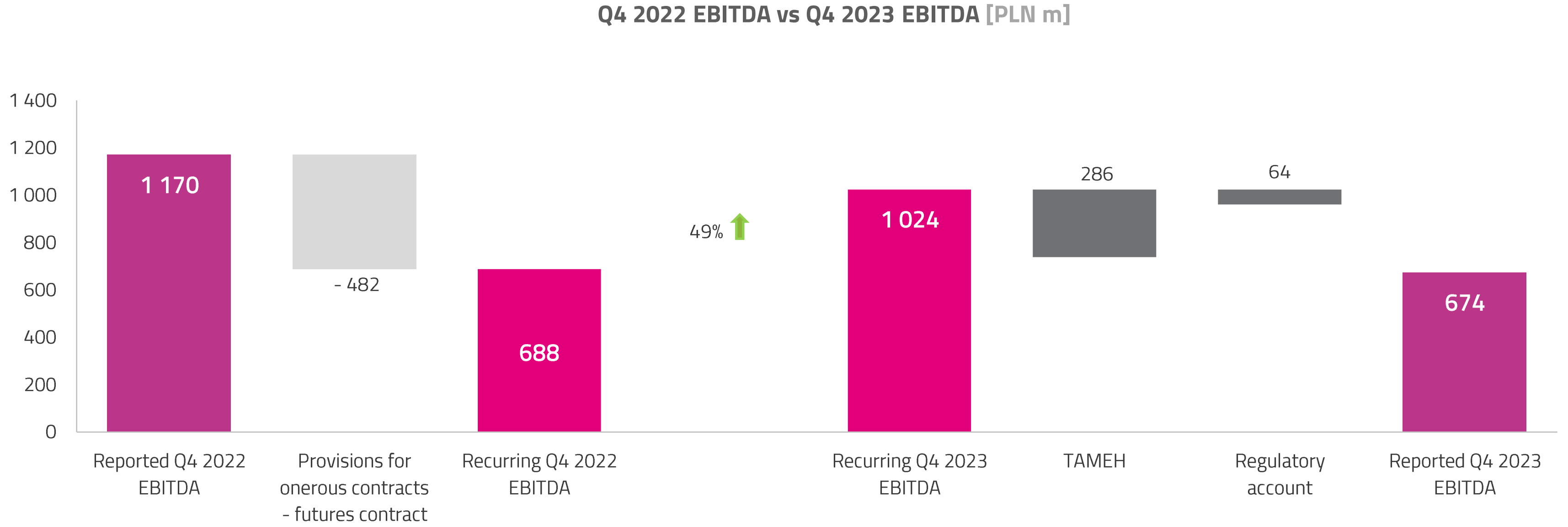
Operating data

Electricity distribution [TWh]	RES electricity production [TWh]	Coal-fired electricity production [TWh]	Heat generation [PJ]	Retail electricity supply [TWh]
13.0	0.5	3.2	3.6	8.3
-3% vs Q4 2022	+40% vs Q4 2022	-21% vs Q4 2022	-0% vs Q4 2022	3% vs Q4 2022

Q4 2023 financial data



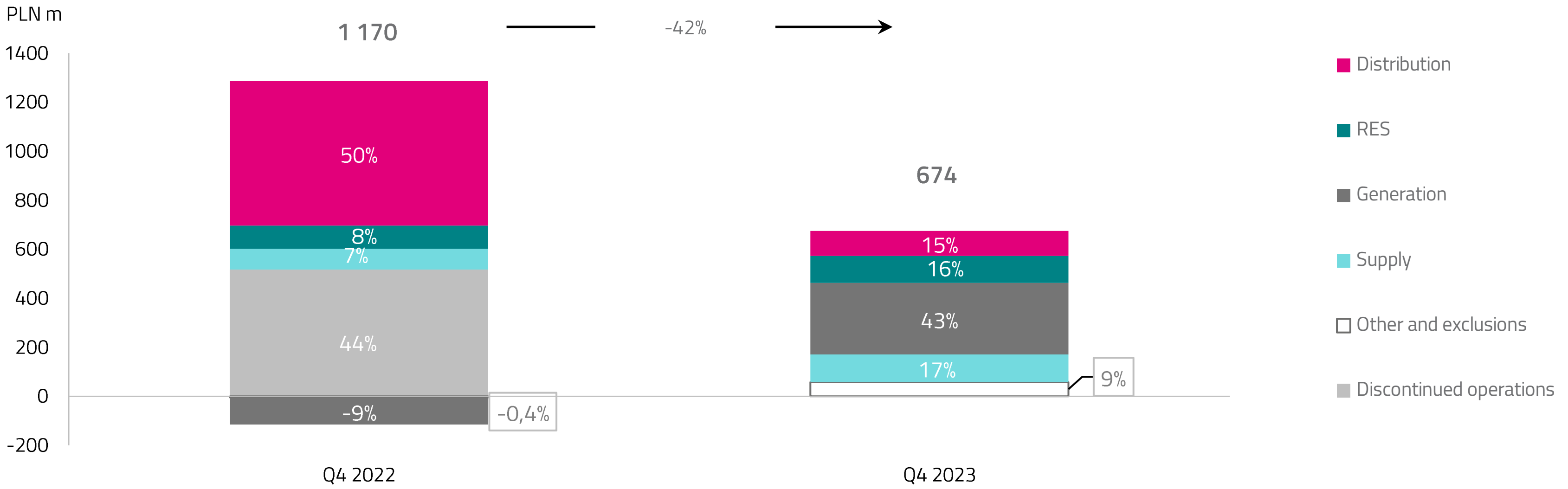




Individual segments' Q4 2023 results

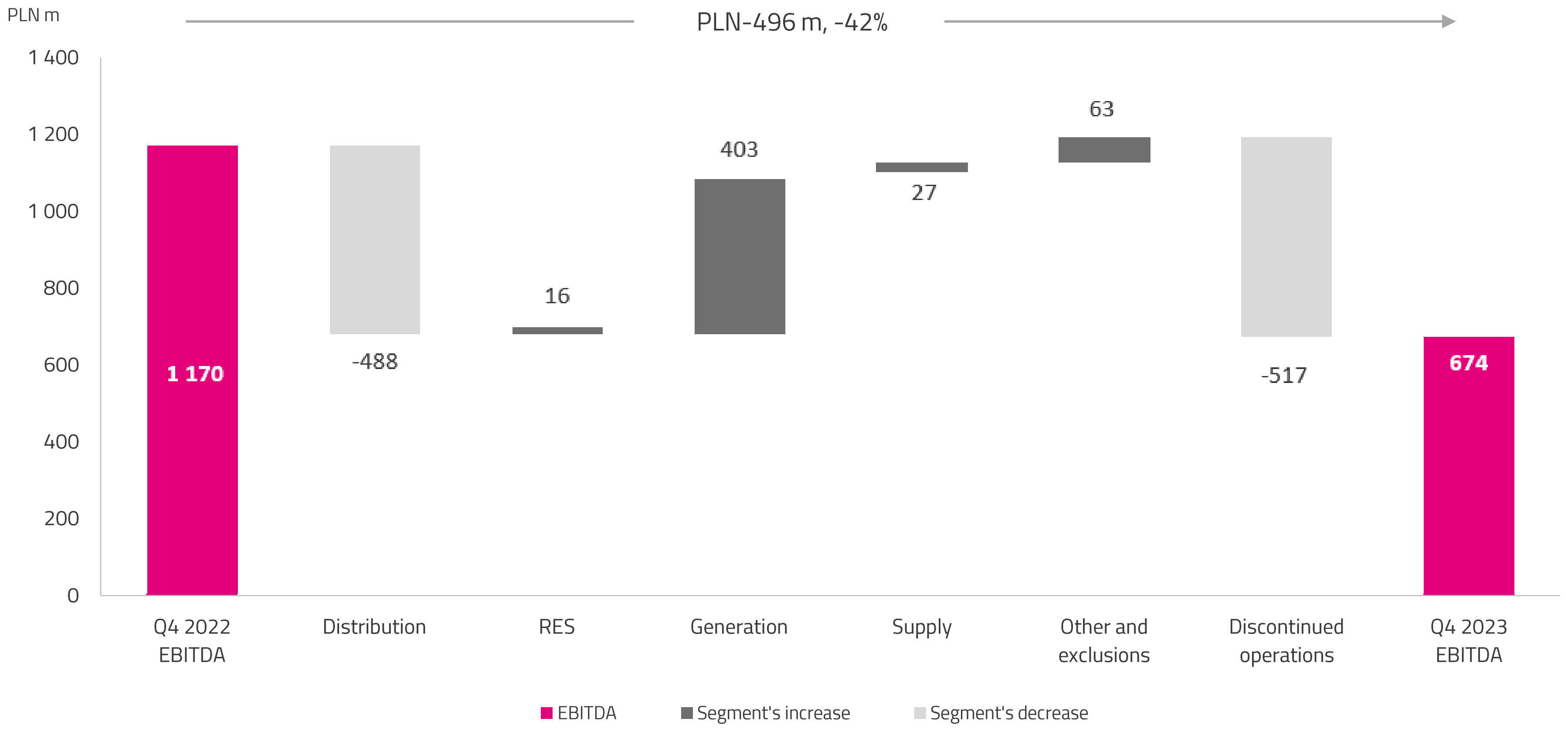
[PLN m]	Distribution	RES	Generation	Supply	Other and exclusions**
Revenue*	2 907	189	3 851	10 232	-5 088
EBITDA	102	110	292	112	58
EBIT	-246	82	-388	108	13
CAPEX	866	197	186	39	189

Individual segments' contribution to EBITDA

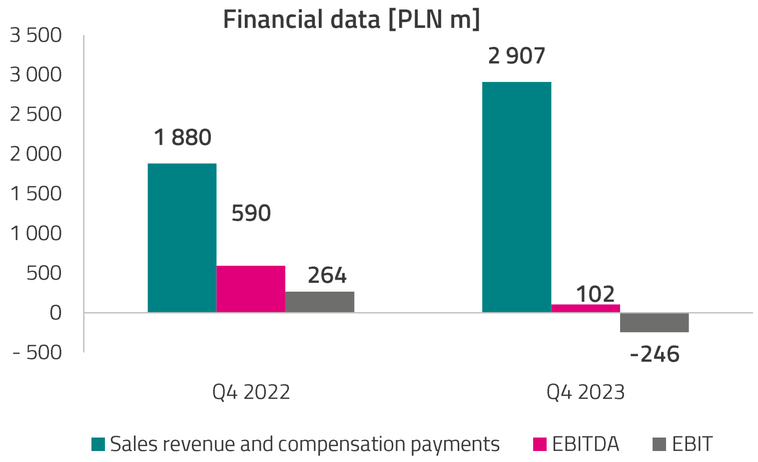


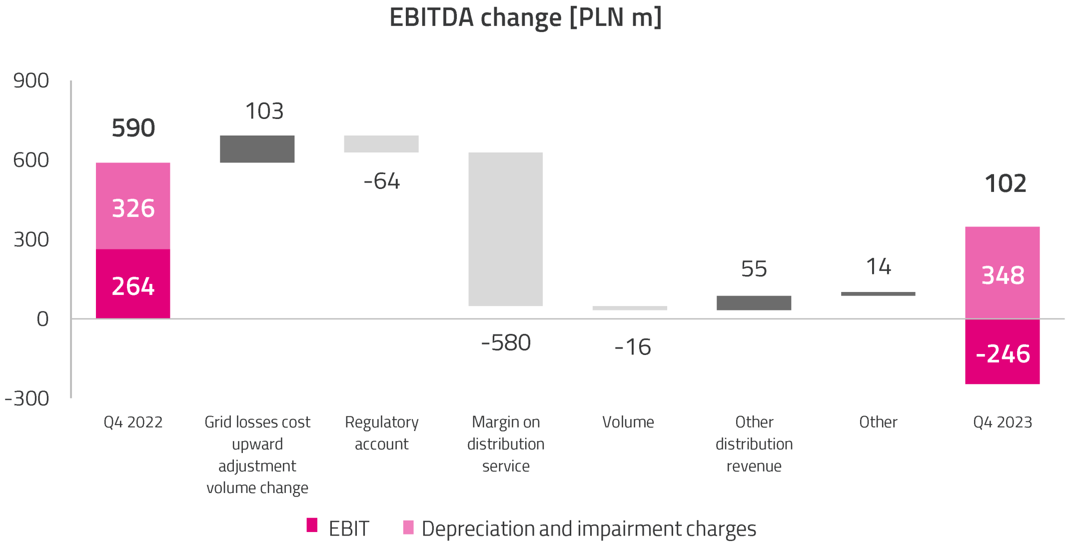
** Sales revenue and compensation payments*
*** items not included in the segments presented*

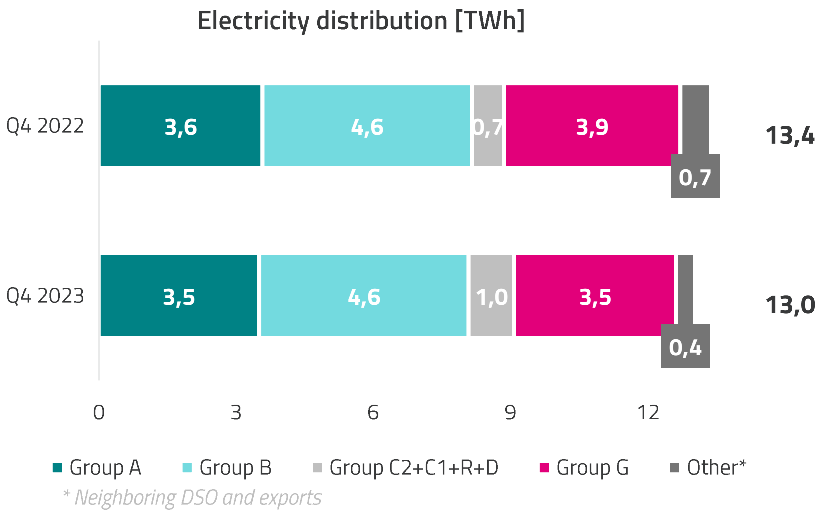
Q4 2023 EBITDA



Distribution Segment Q4 2023



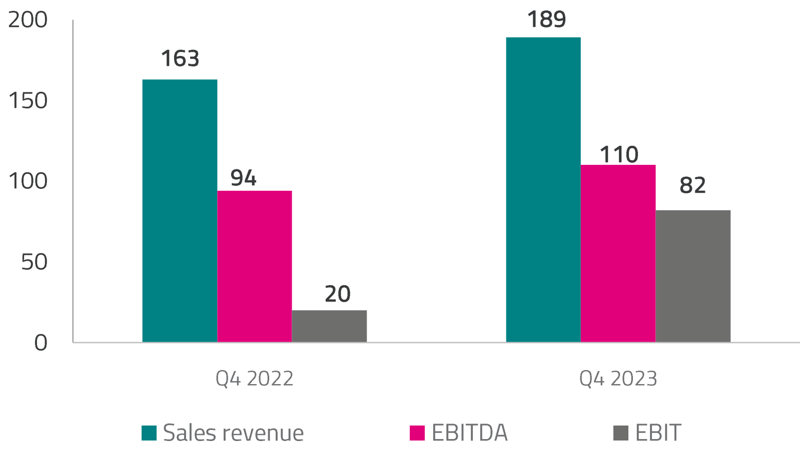




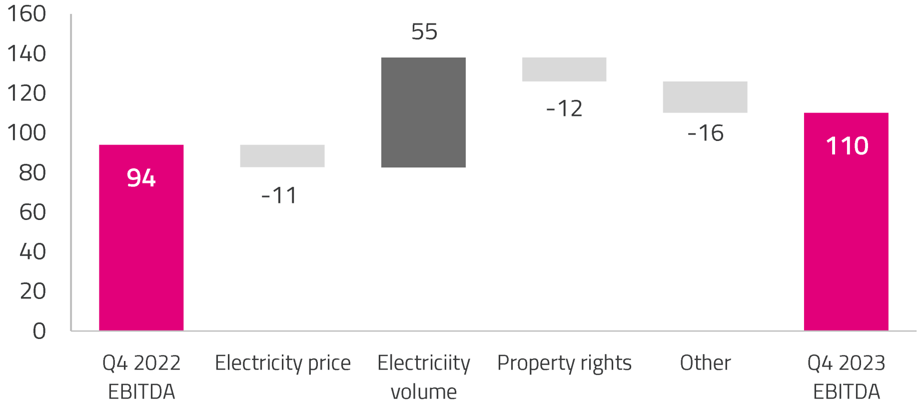
- Increase of the distribution service rate √
- Decline of the electricity distribution services sales volume by 0.3 TWh –
- Negative impact of the regulatory account –

RES Segment
Q4 2023

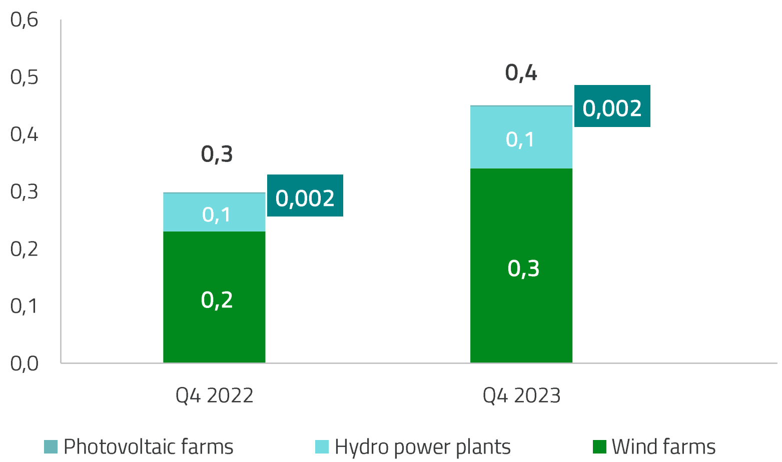
Financial data [PLN m]



EBITDA change [PLN m]

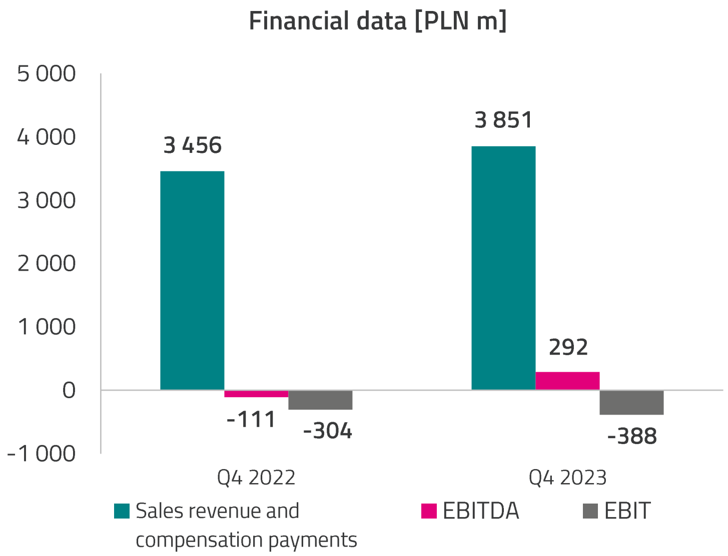


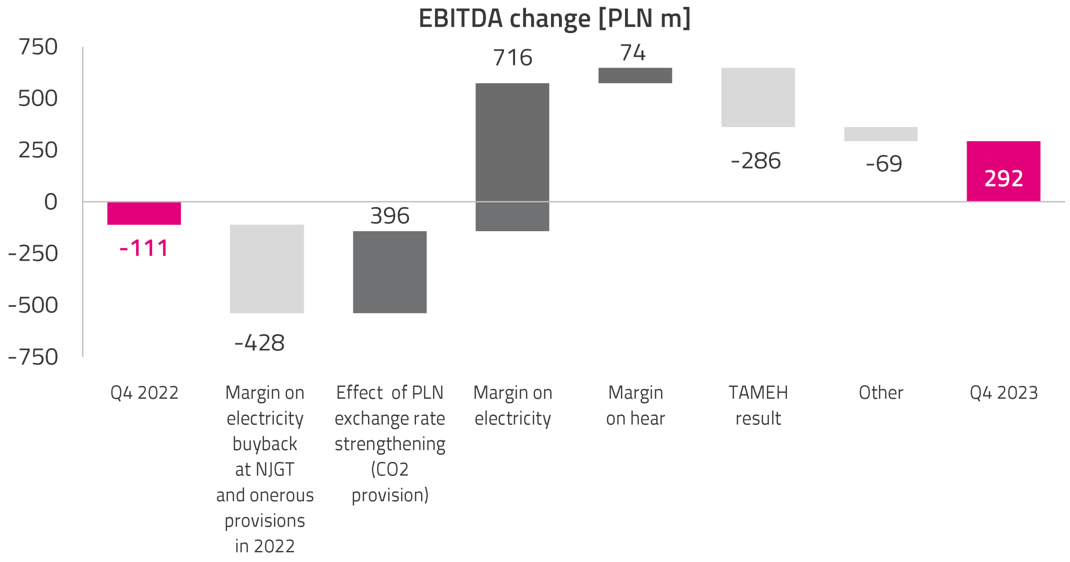
Electricity production [TWh]

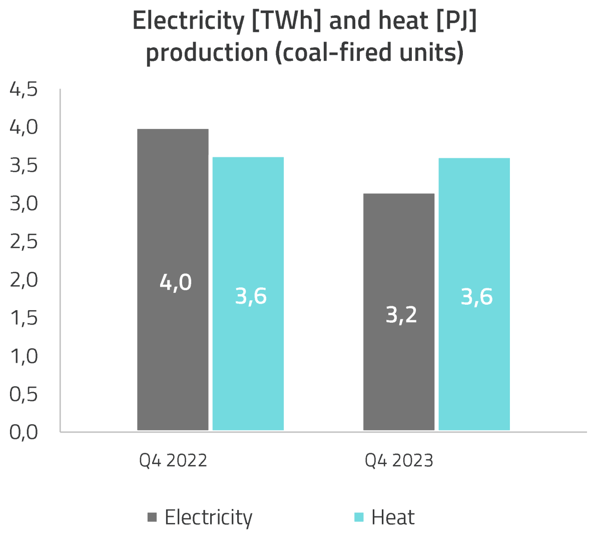


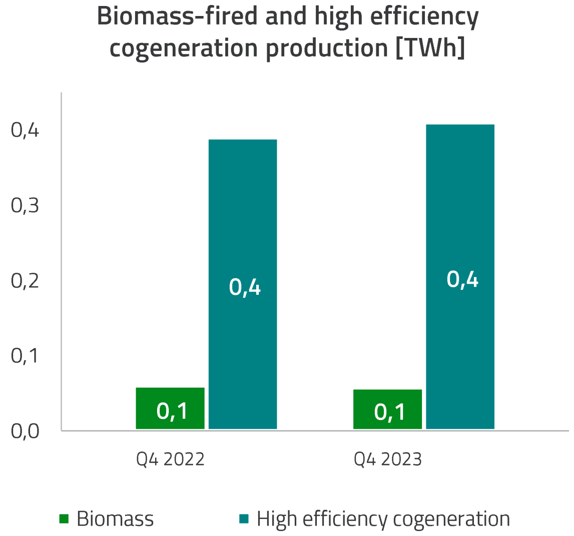
- Higher electricity production volume √
- Decrease of the property rights prices -

Generation Segment Q4 2023



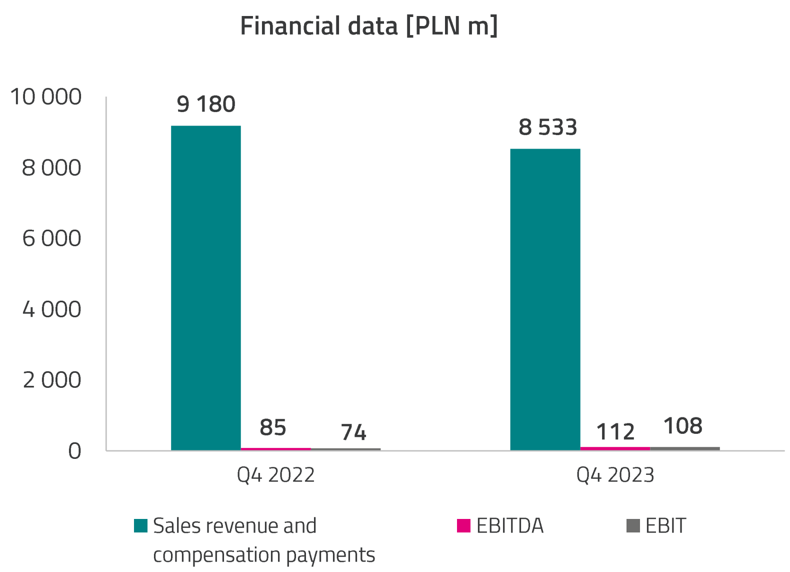


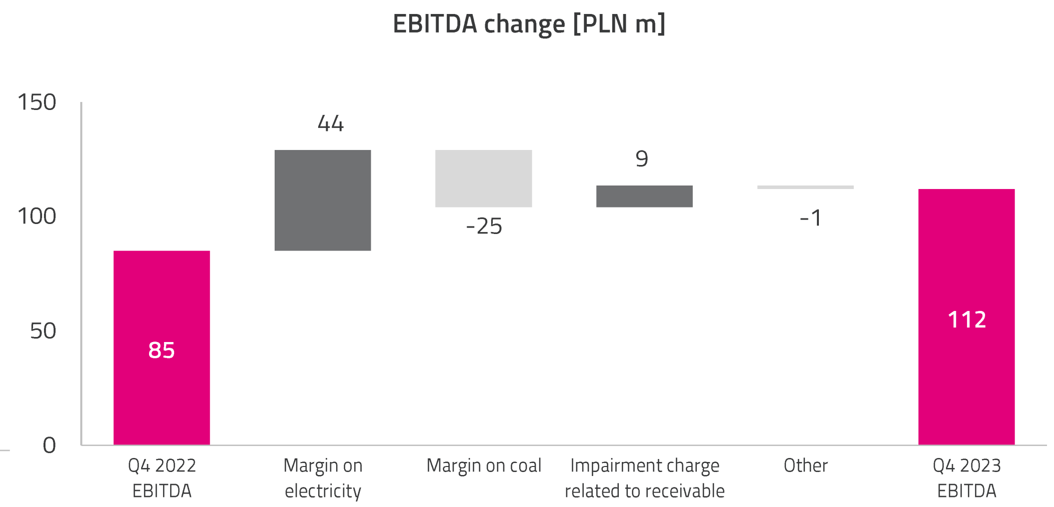


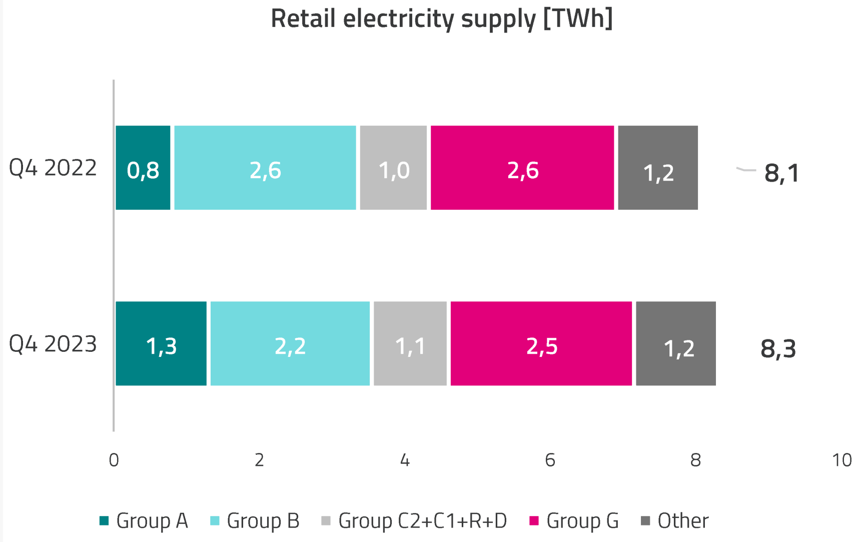


- Favorable forward electricity contracting √
- Insolvency of TAMEH Czech subsidiary –
- Lower volume of electricity production by coal-fired units –

Supply Segment Q4 2023







Increase of the volume of the electricity sales by business customers	√
Impact of the electricity contracting hedging profile	√
Material impact of the regulations on the Segment's results in 2023	-
Additional customer service costs related to the performance of the tasks stemming from the legal regulations	-

Analysts covering TAURON

Institution	Analyst
Dom Maklerski mBanku*	**Kamil Kliszcz**
Dom Maklerski Santander	**Paweł Puchalski**
Dom Maklerski PKO BP	**Andrzej Rembelski**
Dom Maklerski Banku Handlowego	**Piotr Dzięciołowski**
Ipopema Securities	**Robert Maj**
Erste Group	**Petr Bartek**

Institution	Analyst
Noble Securities	**Michał Sztabler**
WOOD & Company	**Ondrej Slama**
Dom Maklerski BOŚ	**Jakub Viscardi**
Biuro Maklerskie Pekao	**Marcin Górnik**
Trigon Dom Maklerski	**Michał Kozak**

*issuing of recommendations has been suspended

Electricity market price trends

Electricity						
Platforms: TGE	2022		2023 (actual + estimates)		2023/2022	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	457.95	165 560	867.38	118 549	89,4%	-28,4%
Forward PEAK (Y+Q+M)	496.55	17 229	1 206.20	8 931	142,9%	-48,2%
Forward (weighted average)	461.59	182 789	891.11	127 480	93,1%	-30,3%
SPOT (TGE)	786.77	32 994	528.24	61 620	-32,9%	86,8%
Weighted average total	**511.31**	**215 783**	**772.87**	**189 099**	**51,2%**	**-12,4%**

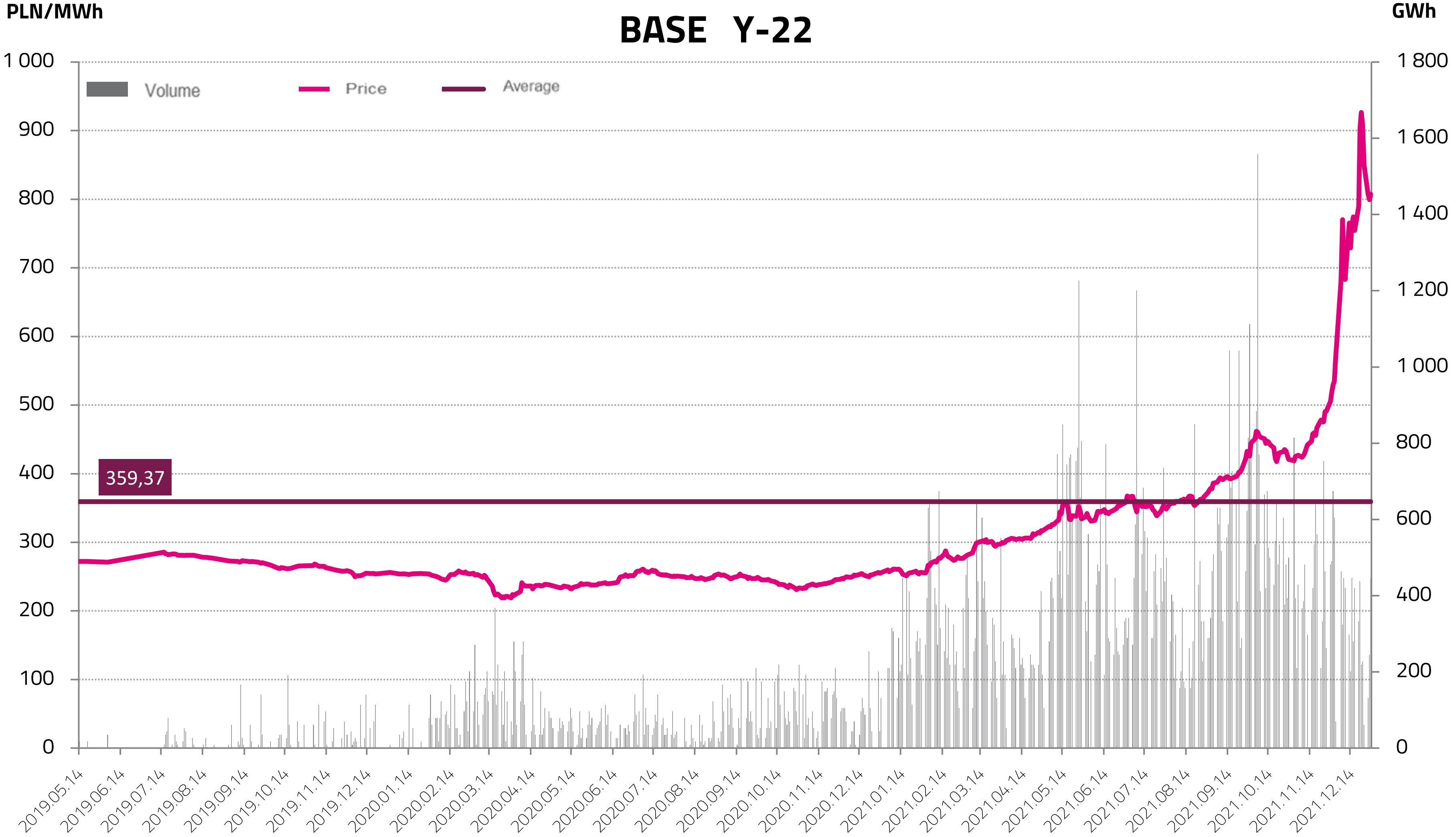
Property rights (PLN/MWh)			
Certificate type	Market prices (Q1-Q3 2023 weighted average)	Substitution fee and obligation for:	
		2022	2023
OZE (PMOZE_A)	182.20	239.86 (18.5%)	239.75 (12.0%)
RES from biogas plants (PMOZE_BIO)	300.98	300.03 (0.5%)	300.03 (0.5%)

CO_2 emission allowances (EUR/t)	
CO_2 market analysts survey*	Price [EUR/t]
2024 average	88.9
2025 average	93.5
2026 average.	109.5
2023 average price forecast by TAURON	85-87

** Source: Point Carbon, BNEF, Consus, GDF SUEZ Trading, HSE, Mkonline, Societe Generale, TAURON*

TAURON

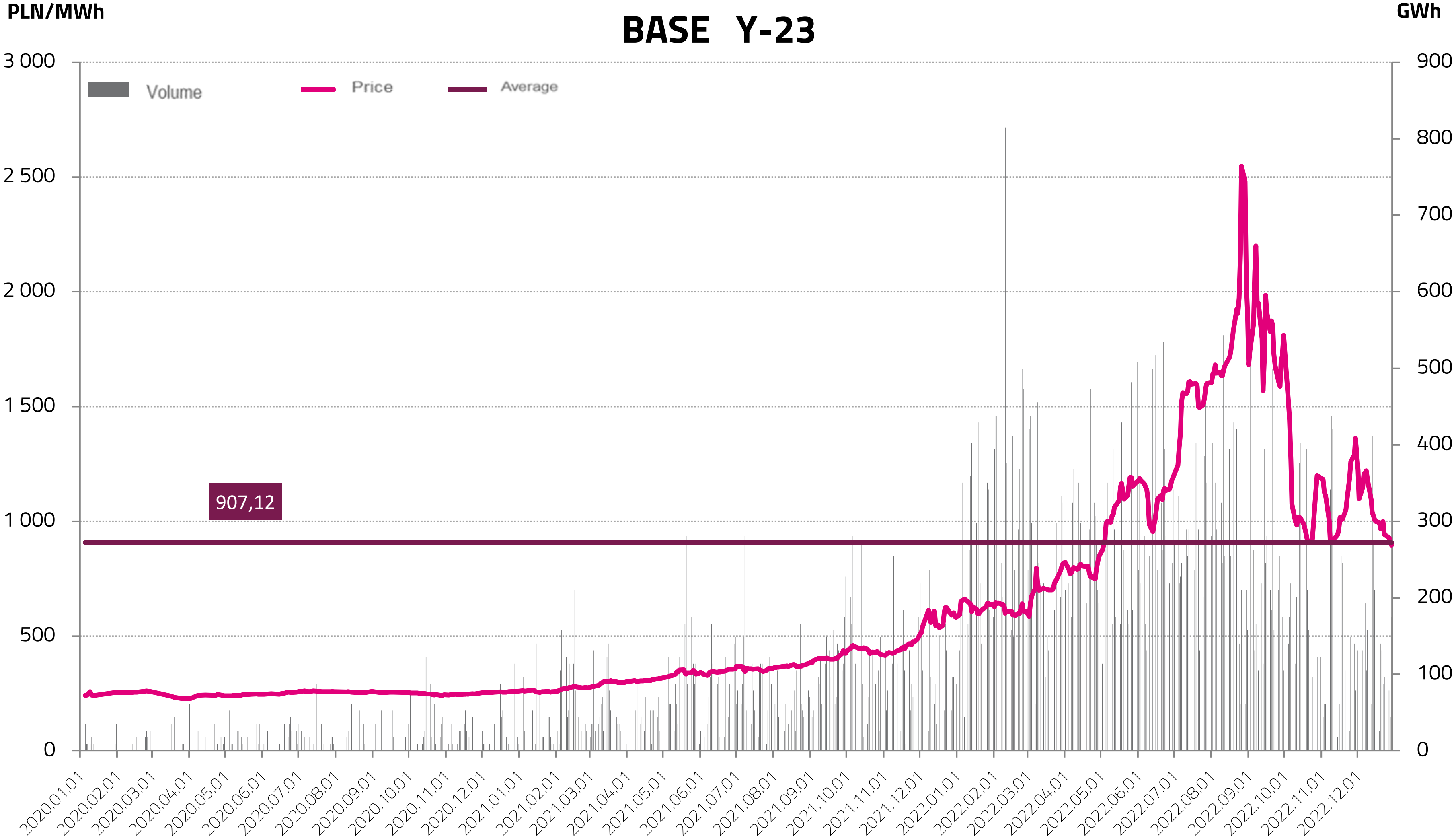
2022 BASE contract prices



	Average price [PLN/MWh]	Volume [GWh]
Total	359,37	127 843

Average electricity price that takes into account 2022 one-year BASE and PEAK contracts: 364.35 PLN/MWh, total 2022 BASE and PEAK contracts volume: 142 400 GWh

2023 BASE contract prices



	Average price [PLN/MWh]	Volume [GWh]
Total	907.12	84 665

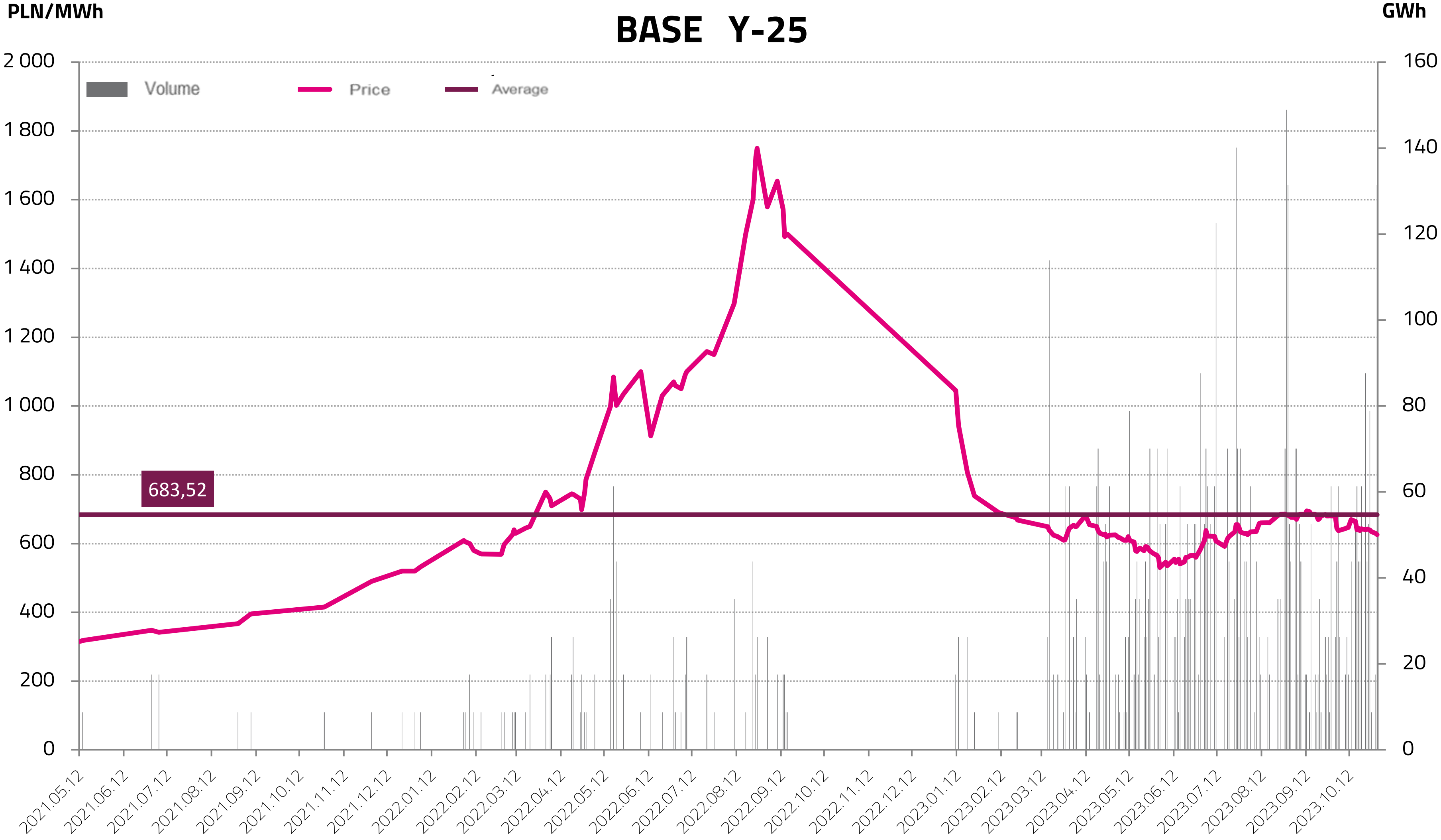
Average electricity price that takes into account 2023 one-year BASE and PEAK contracts: 937.04 PLN/MWh, total 2023 BASE and PEAK contracts volume: 91 439 GWh

2024 BASE contract prices

	Average price [PLN/MWh]	Volume [GWh]
Total	692.83	34 837

Average electricity price that takes into account 2024 one-year BASE and PEAK contracts: 703.62 PLN/MWh,
total 2024 BASE and PEAK contracts volume: 37 756 GWh
(based on the data up to 31.10.2023)

2025 BASE contract prices



	Average price [PLN/MWh]	Volume [GWh]
Total	683.52	6 474

Average electricity price that takes into account 2025 one-year BASE and PEAK contracts: 683.52 PLN/MWh, total 2025 BASE and PEAK contracts volume: 6 474 GWh
(based on the data up to 31.10.2023)